

1. Company details

Name of entity:	Australian Primary Hemp Limited (formerly Alchemia Limited)
ABN:	43 071 666 334
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	34.33% to	1,158,785
Loss from ordinary activities after tax attributable to the Owners of Australian Primary Hemp Limited (formerly Alchemia Limited)	up	511.89% to	(5,914,274)
Loss for the year attributable to the Owners of Australian Primary Hemp Limited (formerly Alchemia Limited)	up	511.89% to	(5,914,274)

Dividends

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

Comments

The loss for the Consolidated Entity after providing for income tax amounted to \$5,914,274 (2019: \$966,561).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.75</u>	<u>(20.17)</u>

4. Control gained over entities

Name of entities (or group of entities)	Australian Primary Hemp Pty Ltd
Date control gained	3 October 2019

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	(2,385,738)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	(966,561)

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Australian Primary Hemp Limited (formerly Alchemia Limited) for the year ended 30 June 2020 is attached.

12. Signed

Signed 

Date: 26 August 2020

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities

ABN 43 071 666 334

Annual Report - 30 June 2020

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Corporate directory
30 June 2020



Directors	Mr. Cameron Petricevic, Non-Executive Chairman Ms. Pauline Gately, Independent Non-Executive Director (Appointed on 2 October 2019) Mr. James Hood, Executive Director and Chief Operating Officer (Appointed on 2 October 2019)
Company secretary	Ms. Melanie Leydin
Notice of annual general meeting	The Company will hold its annual general meeting of shareholders on 2 October 2020.
Registered office	100 Albert Road South Melbourne VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Principal place of business	53 Riversdale Road Newtown VIC 3220 Ph: (03) 5201 0398
Share register	Link Market Services Limited Tower 4, 727 Collins Street Docklands, VIC 3008 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne, VIC 3008
Stock exchange listing	Australian Primary Hemp Limited (formerly Alchemia Limited) shares are listed on the Australian Securities Exchange (ASX code: APH)
Website	https://www.ausprimaryhemp.com.au/
Corporate Governance Statement	Corporate governance statements are available in Group's website. Please refer to https://www.ausprimaryhemp.com.au/pages/corporate-governance

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities

Directors' report

30 June 2020



The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Australian Primary Hemp Limited (formerly Alchemia Limited) (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were Directors of Australian Primary Hemp Limited (formerly Alchemia Limited) during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr. Cameron Petricevic, Non-Executive Chairman
Ms. Pauline Gately, Independent Non-Executive Director (Appointed on 2 October 2019)
Mr. James Hood, Executive Director and Chief Operating Officer (Appointed on 2 October 2019)
Mr. Charles Mann, Executive Director (Appointed on 2 October 2019 and resigned on 12 March 2020)
Ms. Melanie Leydin, Executive Director (Resigned on 2 October 2019)
Mr. Lynden Polonsky, Independent Non-Executive Director (Resigned on 2 October 2019)

Principal activities

Australian Primary Hemp Ltd (APH; formerly Alchemia Limited) completed the acquisition of Australian Primary Hemp Pty Ltd (Australian Primary Hemp) and the re-compliance listing on 3 October 2019, which thenceforth became the principal continuing activities of the Consolidated Entity.

Australian Primary Hemp is a vertically integrated business that produces, manufactures and distributes a range of hemp products under the Australian Primary Hemp brand, to retail, wholesale and white label customers in Australia.

APH engages across the hemp value chain, encompassing hemp seed selection, farming, processing, packaging as well as distribution and sale of bulk and retail products.

Dividends

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

Review of operations

On 3 October 2019, APH completed the acquisition of Australian Primary Hemp. Several new Corporate Governance initiatives have been embedded in the business since this time, embedding best-practice policies and charters through the business. The Acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of 'Australian Primary Hemp' (legal acquiree and accounting acquirer) obtained accounting control of APH (legal acquirer and accounting acquiree).

Accordingly, the consolidated financial report has been prepared as a continuation of the business and operations of Australian Primary Hemp. As the deemed accounting acquirer Australian Primary Hemp has accounted for the acquisition from 3 October 2019. Further information on the acquisition and the accounting reported under note 4 to the consolidated financial report.

The loss for the Consolidated Entity after providing for income tax amounted to \$5,914,274 (2019: \$966,561), which includes a significant one-off reverse acquisition related expenses amounting to \$3,998,488, being the total fair value of expenses recognised in relation to reverse acquisition. Refer note 4 to the financial statements for more information.

Revenue of \$1,158,785 (2019: \$862,630) was primarily from the sale of bulk wholesale and retail hemp products; up 34% from the previous financial year.

APH has grown revenue during the year through business development success, new product development and strengthening employment resources. Throughout the year, Australian Primary Hemp has begun to deliver on its strategic vision of:

- Increasing Supply Security – Continuing to leverage their exclusive seed variety (Finola©), large farmer network and expanded their growing geographies. A successful fourth harvest was all but complete within the year.
- Delivery of Operating Efficiencies – Major cost reduction, automation and other process efficiencies have also delivered an improved gross margin and lowered the cost base, which is well positioned for sales and operational leverage.
- Develop New Brands and Products – The Launch of new products (with several to launch imminently as well as new brands) has begun to focus the business on greater value-added products in the primary product space.
- Grow Distribution – Business Development efforts have yielded new clients and exclusive supply partners (with a large pipeline of direct sales and channel partner opportunities existing at year end).
- Strong Consumer Engagement – Improvement in digital programs have led to increased online engagement and sales.

APH expects to continue delivering on and expanding upon their stated vision as an integrated “seed to plate” provider of hemp products.

Expenditure during the year for Australian Primary Hemp was primarily for inventory build-up, expansion equipment, loan repayments, expenses of the acquisition and working capital (including strengthening the management team).

Cash and cash equivalents as at 30 June 2020 was \$2,345,368.

Significant changes in the state of affairs

On 3 October 2019, the Company completed the acquisition of 100% of the issued capital in Australian Primary Hemp. Prior to the acquisition, the Company consolidated its existing shares at 1:20. As part of this acquisition, the Company has:

- issued 28,500,000 ordinary shares and raised \$5,700,000 before costs.
- issued 15,225,000 fully paid ordinary shares to the shareholders of Australian Primary Hemp as consideration for the acquisition and;
- has changed its name to Australian Primary Hemp Limited (formerly Alchemia Limited).

On 27 March 2020, the Company issued 225,000 fully paid ordinary shares to Advisory Board members in consideration for their services rendered, and to be rendered over the following 12 months, to the Company.

On 13 June 2020, the Company issued three performance rights worth up to 1,000,000 in fully paid ordinary shares to a key management person with fair values of \$0.10 to \$0.11, which expire on 12 May 2021.

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

Matters subsequent to the end of the financial year

On 21 August 2020, the Company announced that it has signed two-year exclusive supply agreement with Annex Foods, a leading Australian FMCG food manufacturer and marketer, for the supply of Australian grown Hemp Seeds.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name: Mr. Cameron Petricevic
Title: Non-Executive Chairman
Experience and expertise: Cameron has spent over 15 years in the financial industry, with roles at AXA Asia Pacific Holdings (now AMP) and Acorn Capital. Cameron has extensive investment banking experience, including valuations, mergers and acquisitions, and portfolio management. Cameron is a director of Kentgrove Equity Partners Pty Ltd and several private businesses. Cameron is a qualified Actuary (AIAA) and holds a Bachelor of Commerce (Actuarial) and a Bachelor of Engineering (Electrical) from the University of Melbourne (Hons). He is also a Graduate of the Australian Institute of Company Directors (GAICD) and Founder/Treasurer of Brimbank ToRCH, a Royal Children's Hospital auxiliary charity.

Other current directorships: None
Former directorships (last 3 years): CommsChoice Group Ltd (ASX: CCG) - resigned 19 November 2018
Special responsibilities: Member of the Remuneration and Nomination Committee and the Audit and Risk Committee
Interests in shares: 4,999,999
Interests in options: 1,216,904

Name: Ms. Pauline Gately
Title: Independent Non-Executive Director
Experience and expertise: Ms. Gately is a highly accomplished international economist, investment strategist and Non-Executive Director with experience across a broad portfolio of Board positions. Pauline brings a sharp commercial focus to strategy and risk. She embraces dynamic business environments and has a track record of successfully navigating changing directional points. Her experience spans IPO through acquisitions and mergers. A graduate and member of the Australian Institute of Company Directors (GAICD, MAICD), Pauline holds a BA Hons Economics (BA Hons Econ) and Graduate Diploma in Accounting (Grad Dip Acc). During her investment banking career, Pauline held senior positions with CitiBank, BNP International, Merrill Lynch, and Deutsche Bank. Ms. Gately is currently a non-executive director of Ardiden Limited (ASX: ADV). Prior to this position, she served as a non-executive director and subsequently executive chairperson of Alliance Mineral Assets Limited (SGX: 40F) from 2011 through to December 2018.

Other current directorships: Non-executive director of Ardiden Limited (ASX: ADV)
Former directorships (last 3 years): Alliance Mineral Assets Limited (SGX: 40F) - resigned on 14 December 2018
Special responsibilities: Chair of the Audit and Risk Committee and the Remuneration and Nomination Committee
Interests in shares: 50,000
Interests in options: Nil

Name: Mr. James Hood
Title: Executive Director and Chief Operating Officer (COO)
Experience and expertise: Mr. Hood is a co-founder of Australian Primary Hemp, with substantial experience in production facility development and an extensive network of farmers, which has positioned Australian Primary Hemp well to produce a complete vertically integrated product line. Prior to Australian Primary Hemp, Mr. Hood had roles in agriculture, subsea engineering and digital software development.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Remuneration and Nomination Committee
Interests in shares: 5,320,000
Interests in options: 5,369,231

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Directors' report
30 June 2020



Name: Mr. Neale Joseph
Title: Chief Executive Officer (CEO)
Experience and expertise: Mr. Joseph is an experienced Chief Executive Officer who has successfully led businesses across Australia, New Zealand, Asia Pacific and the Middle East. Mr. Joseph recently co-founded a successful start-up in the natural health and beauty industry where distribution grew to leading retailers in Australia, New Zealand, Canada, the United States and Europe. Mr. Joseph has worked in senior leadership roles with organisations such as Pure Beauty Australia (as CEO), Motorola Solutions Inc., David Jones Ltd, Dulux and Simplot as Vice President, General Manager and Marketing and Sales roles over the past 25 years. Mr. Joseph brings significant experience in FMCG, pharmacy and B2B distribution as well as procurement, distribution and operations.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 33,896
Interests in options: Nil
Interests in rights: 1,000,000

Name: Mr. Charles Mann
Title: Executive Director and Chief Executive Officer (CEO) (Appointed on 2 October 2019 and resigned on 12 March 2020)
Experience and expertise: Mr. Mann is a co-founder of Australian Primary Hemp and was appointed to the board and as CEO following the RTO. Mr. Mann resigned from his positions on 12 March 2020 as part of the Company's planned transition program.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 8,543,671*
Interests in options: 1,419,231

* Mr. Mann's holding includes 57,500 ordinary shares held by a related entity.

Name: Mr. Lynden Polonsky
Title: Independent Non-Executive Director (Resigned on 2 October 2019)
Experience and expertise: Mr. Polonsky has over 15 years' experience within the finance industry. Mr. Polonsky has provided merger, acquisition, divestment and capital markets advice across a range of industries and sectors including natural resources, infrastructure, renewable energy, healthcare and retail. Mr. Polonsky has worked for leading global investment banks and was a founding partner at a boutique corporate advisory firm.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 375,000
Interests in options: Nil

Name: Ms. Melanie Leydin
Title: Executive Director (Resigned on 2 October 2019)
Experience and expertise: Refer to Company secretary section for more information
Other current directorships: Director of E2 Metals Limited (ASX: E2M) and Medibio Limited (ASX: MEB)
Former directorships (last 3 years): None
Interests in shares: 125,000
Interests in options: Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Melanie Leydin – BBus (Acc. Corp Law) CA FGIA

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. Ms. Leydin is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. Ms. Leydin graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology, and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. Ms. Leydin has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

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 30 June 2020, 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
Cameron Petricevic	10	10	2	2	2	2
Pauline Gately	9	9	2	2	2	2
James Hood	9	9	2	2	-	-
Charles Mann	6	6	-	-	1	1
Lyndon Polonsky	1	1	-	-	-	-
Melanie Leydin	1	1	-	-	-	-

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 Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

As noted in above significant changes in affairs section and note 4 to the financial statements, the Company completed the reverse acquisition of Australian Primary Hemp on 3 October 2019. Consequently, the consolidated financial report has been prepared as a continuation of the business and operations of Australian Primary Hemp. However, information in this remuneration report were presented as a continuation of the business of Australian Primary Hemp Limited (formerly Alchemia Limited). Therefore, the overall KMP remuneration information presented in this report may differ from those disclosed in the key management personal note 23 to the financial statements.

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's executive reward framework is 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 it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures 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
- transparency

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

Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Consolidated Entity.

The reward framework is designed to align executive reward to Shareholders' interests. The Board have considered that it should seek to enhance Shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in Shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in Shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

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 total fees paid by the Group to members of the Board, including fees paid for their involvement on board committees, are kept within the total approved by shareholders from time to time. Non-Executive Directors' remuneration is delivered as a cash payment and is not linked to the performance of the Company. Where appropriate, statutory superannuation will be included in these amounts and non-executive directors do not receive any other retirement benefits. Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Consolidated Entity's affairs. Non-Executive Directors may be paid additional remuneration as approved by the Board of Directors, where a Director performs extra work or services which are not in the capacity as Director of the Company or a subsidiary.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 10 November 2014, where the shareholders approved an aggregate remuneration of \$750,000.

Annual Directors' fees currently agreed to be paid by the Consolidated Entity are \$110,000 in total. Additionally, one of the non-executive directors received \$60,000 in cash payments for consulting services during the year. The combined payment to all non-executive directors does not exceed aggregate remuneration approved by the shareholders.

Executive remuneration

The Consolidated Entity aims to reward 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 four components:

- base pay and non-monetary benefits
- Short-Term Incentives (STI)
- Long-Term Incentives (LTI)
- other remuneration such as superannuation and long service leave

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

Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual performance, overall performance of the Consolidated Entity and comparable market remunerations.

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 Consolidated Entity and provides additional value to the executive.

The STI program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The LTI include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. The LTI award will be based on metrics such as total return to shareholders, operational measures such as earnings per share and return measures, or other commonly used metrics as determined by the Board. The LTI are to be reviewed annually and paid at the discretion of the Board.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Consolidated Entity. A portion of STIs and LTIs payments are dependent on defined earnings and / or share price targets being met. The remaining portion of the STIs and LTIs are at the discretion of the Remuneration and Nomination Committee. Refer to the section 'Additional Information' below for details of the earnings and total shareholders return for the last five years.

The Remuneration and Nomination Committee is of the opinion that the Consolidated Entity's performance are linked to performance based compensation and is satisfied that this will increase Shareholder wealth if maintained over the coming years.

Voting and comments made at the Company's 16 September 2019 Annual General Meeting ('AGM')

At the 16 September 2019 AGM, 99.28% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Consolidated Entity are set out in the following tables.

The key management personnel of the Consolidated Entity consisted of the following Directors of Australian Primary Hemp Limited (formerly Alchemia Limited):

- Mr. Cameron Petricevic, Non-Executive Chairman
- Ms. Pauline Gately, Independent Non-Executive Director (Appointed on 2 October 2019)
- Mr. James Hood, Executive Director and Chief Operating Officer (Appointed on 2 October 2019)
- Mr. Charles Mann, Executive Director and Chief Executive Officer (Appointed on 2 October 2019 and resigned on 12 March 2020)
- Ms. Melanie Leydin, Executive Director (Resigned on 2 October 2019)
- Mr. Lynden Polonsky, Independent Non-Executive Director (Resigned on 2 October 2019)

And the following person:

- Mr. Neale Joseph, Chief Executive Officer (Appointed on 13 March 2020)

	Short-term benefits	Post- employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Super- annuation	Long service leave	Equity- settled	Total
30 June 2020	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>					
Cameron Petricevic (i)	121,694	-	-	-	121,694
Pauline Gately	37,500	-	-	-	37,500
Lynden Polonsky (ii)	10,273	977	-	-	11,250
<i>Executive Directors:</i>					
James Hood	121,220	9,804	2,076	-	133,100
Charles Mann (ii)	100,346	8,185	-	-	108,531
Melanie Leydin (ii), (iv)	11,250	-	-	-	11,250
<i>Other Key Management Personnel:</i>					
Neale Joseph (iii)	103,983	9,043	139	3,055	116,220
	<u>506,266</u>	<u>28,009</u>	<u>2,215</u>	<u>3,055</u>	<u>539,545</u>

- (i) Mr. Petricevic's payments above includes consulting fee amounting to \$60,000 paid to an entity associated with Mr. Petricevic. With the hiring of the new CEO on 13 March 2020 and after a brief transition period, Mr Petricevic stood down as a consultant effective from 30 June 2020.
- (ii) Mr. Polonsky and Ms. Leydin resigned on 2 October 2019. Mr. Mann resigned on 12 March 2020.
- (iii) Mr. Joseph was appointed as Chief Executive Officer on 13 March 2020. He previously held the role of Head of Product. The disclosures above reflect his total remuneration during his tenure as Head of Product and Chief Executive Officer.
- (iv) In addition, the amounts disclosed in the above table, the Company paid \$21,000 for accounting and corporate secretarial services to an entity controlled by Ms. Leydin during her tenure as a director. All transactions were made on normal commercial terms and conditions and at market rates.

	Short-term benefits	Post- employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Super- annuation	Long service leave	Equity- settled	Total
30 June 2019	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>					
Cameron Petricevic	35,417	-	-	-	35,417
Lynden Polonsky	13,699	1,301	-	-	15,000
Darren Book (i)	16,865	-	-	-	16,865
Simon Gennari (i)	24,266	-	-	-	24,266
<i>Executive Directors:</i>					
Melanie Leydin (ii)	15,000	-	-	-	15,000
	<u>105,247</u>	<u>1,301</u>	<u>-</u>	<u>-</u>	<u>106,548</u>

- (i) Mr. Book and Mr. Gennari resigned 4 March 2019.
- (ii) In addition, the amounts disclosed in the above table, the Company paid \$28,000 for accounting and corporate secretarial services from an entity controlled by Ms. Leydin during her tenure as a director. All transactions were made on normal commercial terms and conditions and at market rates.

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

Name	Fixed remuneration		At risk - STI	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>Non-Executive Directors:</i>				
Cameron Petricevic	100.00%	100.00%	-	-
Pauline Gately	100.00%	-	-	-
Lynden Polonsky	100.00%	100.00%	-	-
Simon Gennari	-	100.00%	-	-
Darren Book	-	100.00%	-	-
<i>Executive Directors:</i>				
James Hood	100.00%	-	-	-
Charles Mann	100.00%	-	-	-
Melanie Leydin	100.00%	100.00%	-	-
<i>Other Key Management Personnel:</i>				
Neale Joseph	97.37%	-	2.63%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Neale Joseph
Title: Chief Executive Officer
Agreement commenced: 13 March 2020
Term of agreement: Mr. Joseph's role as CEO is open-ended
Details: Total remuneration package of \$225,000 per annum plus entitlements (such as sick leave, holidays, or superannuation payments).

Mr. Joseph was granted 3 rights over fully paid ordinary shares of 1,000,000 in APH based on certain milestones being achieved on or before 12 May 2021. Performance rights are to be converted to shares following achievement of milestones as follows:

- Milestone 1 (product)– 1 right to convert to 300,000 fully paid ordinary shares;
- Milestone 2 (financial)– 1 right to convert to 300,000 fully paid ordinary shares; and
- Milestone 3 (market cap)– 1 right to convert to 400,000 fully paid ordinary shares.

All rights only vest on specific capital markets achievements. It is the intention of the Board of Directors of APH that Mr. Joseph will be granted a LTI award. The award is to be reviewed annually and paid at the discretion of the Board.

The executive and can terminate the contract with 6 months' notice. The Company can terminate the agreement with 6 months' notice, or payment in lieu thereof. Termination without notice by the Company in the event of serious misconduct or breach of law or the employment agreement.

Name: James Hood
Title: Chief Operating Officer
Agreement commenced: 2 October 2019
Term of agreement: Mr. Hood's role as COO is open-ended
Details: Total remuneration package of \$130,000 per annum plus \$10,000 car allowance, expenses, and entitlements (such as sick leave, holidays or superannuation payments).

The executive and can terminate the contract with 3 months' notice. The Company can terminate the agreement with 3 months' notice, or payment in lieu thereof. Termination without notice by the Company in the event of serious misconduct or breach of law or the employment agreement.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Performance rights

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

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Neale Joseph*	400,000	13 June 2020	12 May 2021	12 May 2021	\$0.40	\$0.100
Neale Joseph*	600,000	13 June 2020	12 May 2021	12 May 2021	\$0.00	\$0.110

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Number of rights granted during the year 30 June 2020	Number of rights granted during the year 30 June 2019	Number of rights vested during the year 30 June 2020	Number of rights vested during the year 30 June 2019
Neale Joseph*	1,000,000	-	-	-

* Mr. Joseph was granted 3 rights over fully paid ordinary shares of 1,000,000 in APH based on certain milestones being achieved on or before 12 May 2021. The tables above represent the maximum number of ordinary shares to be issued in the event of rights were to be exercised.

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2020 are summarised below:

	2020*	2019*	2018	2017	2016
	\$	\$	\$	\$	\$
Sales revenue / interest income	1,158,785	862,630	8,244	21,561	25,298,976
Profit before income tax	(5,914,274)	(966,561)	(372,647)	(540,291)	22,077,497
Profit/(loss) after income tax	(5,914,274)	(966,561)	(372,647)	(540,291)	21,425,966

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end (\$)	0.11	0.01	0.01	0.01	0.04
Basic earnings per share (cents per share)	(0.11)	(0.10)	(0.12)	(0.17)	6.60
Diluted earnings per share (cents per share)	(0.11)	(0.10)	(0.12)	(0.17)	6.60

**As noted in above significant changes in affairs section and note 4 to the financial statements, the Consolidated Entity completed reverse acquisition of Australian Primary Hemp on 3 October 2019. Consequently, the consolidated financial report has been prepared as a continuation of the business and operations of Australian Primary Hemp. The above additional information is updated to match the amounts in the consolidated profit or loss statements for the current year and prior year.*

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Shares acquired at completion of the acquisition	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Cameron Petricevic	803,499	4,196,500	-	-	4,999,999
Pauline Gately	-	50,000	-	-	50,000
James Hood (iii)	-	5,320,000	-	-	5,320,000
Charles Mann (i), (iii)	-	8,085,000	254,171	(8,339,171)	-
Melanie Leydin (ii)	-	125,000	-	(125,000)	-
Lynden Polonsky (ii)	-	375,000	-	(375,000)	-
Neale Joseph	-	-	33,896	-	33,896
	803,499	18,151,500	288,067	(8,839,171)	10,403,895

- (i) Mr. Mann was appointed to the board on 2 October 2019 and resigned from the Company on 12 March 2020.
- (ii) Ms. Leydin and Mr. Polonsky resigned from the Company on 2 October 2019.
- (iii) Shares issued to Mr. Hood and Mr. Mann were in relation to the acquisition of Australian Primary Hemp. These consideration shares are subject to escrow for 24 months from Official Quotation. In addition, under the Share Sale Agreement, 30% of the Consideration Shares, being 6,525,000 deferred consideration shares owed to the sellers of the subsidiary are not to be issued until the end of deferred period. As per the Share Sale Agreement, these deferred shares will be issued at a future date and whose issue is subject to certain conditions other than the passage of time (deferred consideration). Accordingly, deferred consideration shares are not included in the shareholding calculations above.

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 Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Options granted at completion of the acquisition	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Cameron Petricevic (i)	-	1,216,904	-	-	1,216,904
James Hood (i)	-	5,369,231	-	-	5,369,231
Charles Mann (i), (ii)	-	1,419,231	-	(1,419,231)	-
	-	8,005,366	-	(1,419,231)	6,586,135

- (i) The Company issued options over ordinary shares to Mr. Petricevic, Mr. Hood and Mr. Mann in relation to the acquisition of Australian Primary Hemp. These consideration options are unlisted and subject to escrow for 24 months from Official Quotation. These options were issued at an exercise price of \$0.26, expiring on 2 October 2022.
- (ii) Mr. Mann resigned from the Board and the Company on 12 March 2020.

Performance rights holding

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

	Balance at the start of the year	Rights granted as part of remuneration	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Neale Joseph	-	1,000,000	-	-	1,000,000
	-	1,000,000	-	-	1,000,000

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Australian Primary Hemp Limited (formerly Alchemia Limited) under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 October 2019	2 October 2022	\$0.26	10,354,284

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 Australian Primary Hemp Limited (formerly Alchemia Limited) under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
13 June 2020	12 May 2021	\$0.00	1,000,000

- * Unissued performance rights outstanding at the date of this report represent 3 rights over fully paid ordinary shares of 1,000,000 in total in APH granted to a key management person. The tables above represent the maximum number of ordinary shares to be issued in the event of rights were to be exercised.

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

Shares issued on the exercise of options

There were no ordinary shares of Australian Primary Hemp Limited (formerly Alchemia Limited) issued on the exercise of options during the year ended 30 June 2020 (2019: Nil) and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Australian Primary Hemp Limited (formerly Alchemia Limited) issued on the exercise of performance rights during the year ended 30 June 2020 (2019: Nil) and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of Grant Thornton

There are no officers of the Company who are former partners of Grant Thornton.

Auditor's independence declaration

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

Auditor

Grant Thornton continues in office in accordance with section 327 of the Corporations Act 2001.

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



Cameron Petricevic
Non-Executive Chairman

26 August 2020

Auditor's Independence Declaration

To the Directors of Australian Primary Hemp Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Australian Primary Hemp Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 26 August 2020

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Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Contents
30 June 2020



Statement of profit or loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21
Directors' declaration	53
Independent auditor's report to the members of Australian Primary Hemp Limited (formerly Alchemia Limited)	54
Shareholder information	57

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020



		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
Revenue	6	1,158,785	862,630
Other income	7	112,000	-
Interest income		1,105	3,257
Expenses			
Raw materials, inventories and consumables used		(958,813)	(494,824)
Professional and consulting fees	4	(4,069,775)	(365,680)
Employee benefits expenses	8	(1,346,371)	(443,560)
Depreciation and amortisation expenses	8	(126,283)	(125,415)
Other expenses		(531,406)	(195,540)
Finance costs	8	(153,516)	(207,429)
Loss before income tax expense		(5,914,274)	(966,561)
Income tax expense	9	-	-
Loss after income tax expense for the year attributable to the Owners of Australian Primary Hemp Limited (formerly Alchemia Limited)		(5,914,274)	(966,561)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the Owners of Australian Primary Hemp Limited (formerly Alchemia Limited)		<u>(5,914,274)</u>	<u>(966,561)</u>
		Cents	Cents
Basic earnings per share	34	(10.87)	(9.52)
Diluted earnings per share	34	(10.87)	(9.52)

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

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Statement of financial position
As at 30 June 2020



		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	10	2,345,368	4,374
Trade and other receivables	11	169,119	188,608
Inventories	12	944,444	381,668
Prepayments		92,351	-
Total current assets		<u>3,551,282</u>	<u>574,650</u>
Non-current assets			
Property, plant, and equipment	14	862,386	668,081
Right-of-use assets	13	135,948	43,319
Prepayments		133,899	-
Total non-current assets		<u>1,132,233</u>	<u>711,400</u>
Total assets		<u>4,683,515</u>	<u>1,286,050</u>
Liabilities			
Current liabilities			
Trade and other payables	15	256,824	343,248
Borrowings	16	270,076	2,615,733
Lease liabilities	17	40,664	46,281
Income tax		-	7,031
Employee benefits	18	53,260	23,030
Total current liabilities		<u>620,824</u>	<u>3,035,323</u>
Non-current liabilities			
Borrowings	16	1,219,718	1,476,789
Lease liabilities	17	95,284	-
Employee benefits	18	5,095	6,163
Total non-current liabilities		<u>1,320,097</u>	<u>1,482,952</u>
Total liabilities		<u>1,940,921</u>	<u>4,518,275</u>
Net assets/(liabilities)		<u>2,742,594</u>	<u>(3,232,225)</u>
Equity			
Issued capital	19	11,660,353	100
Reserves	20	228,840	-
Accumulated losses		<u>(9,146,599)</u>	<u>(3,232,325)</u>
Total equity/(deficiency)		<u>2,742,594</u>	<u>(3,232,225)</u>

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

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Statement of changes in equity
For the year ended 30 June 2020



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2018	100	-	(2,265,764)	(2,265,664)
Loss after income tax expense for the year	-	-	(966,561)	(966,561)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(966,561)	(966,561)
Balance at 30 June 2019	100	-	(3,232,325)	(3,232,225)

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	100	-	(3,232,325)	(3,232,225)
Loss after income tax expense for the year	-	-	(5,914,274)	(5,914,274)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,914,274)	(5,914,274)
<i>Transactions with Owners in their capacity as Owners:</i>				
Contributions of equity, net of transaction costs (note 19)	11,649,003	-	-	11,649,003
Share-based payments (note 35)	-	240,090	-	240,090
Shares issued for services rendered	11,250	(11,250)	-	-
Balance at 30 June 2020	11,660,353	228,840	(9,146,599)	2,742,594

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

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Statement of cash flows
For the year ended 30 June 2020



	Note	Consolidated	
		30 June 2020	30 June 2019
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,124,350	906,537
Payments to suppliers and employees (inclusive of GST)		<u>(4,028,345)</u>	<u>(1,513,480)</u>
		(2,903,995)	(606,943)
Interest received		1,105	-
Interest and other finance costs paid		(137,094)	(9,547)
COVID-19-related government grants		112,000	-
Income taxes paid		<u>-</u>	<u>(169,278)</u>
Net cash used in operating activities	32	<u>(2,927,984)</u>	<u>(785,768)</u>
Cash flows from investing activities			
Payments for property, plant, and equipment	14	(277,269)	-
Cash acquired on reverse acquisition	4	<u>5,592,263</u>	<u>-</u>
Net cash from investing activities		<u>5,314,994</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from convertible note	33	800,000	-
Share application refunds		(65,500)	-
Share issue transaction costs		(137,257)	-
Repayment of borrowings	33	(596,978)	-
Payment of principal element of lease liabilities	33	(46,281)	(168,382)
Net proceeds of borrowings		<u>-</u>	<u>950,531</u>
Net cash from/(used in) financing activities		<u>(46,016)</u>	<u>782,149</u>
Net increase/(decrease) in cash and cash equivalents		2,340,994	(3,619)
Cash and cash equivalents at the beginning of the financial year		<u>4,374</u>	<u>7,993</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>2,345,368</u></u>	<u><u>4,374</u></u>

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

1. General information

The financial statements cover Australian Primary Hemp Limited (formerly Alchemia Limited) as a Consolidated Entity consisting of Australian Primary Hemp Limited (formerly Alchemia Limited) and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Australian Primary Hemp Limited (formerly Alchemia Limited)'s functional and presentation currency.

Australian Primary Hemp Limited (formerly Alchemia Limited) is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
96-100 Albert Road South Melbourne VIC 3205	53 Riversdale Road Newtown VIC 3220

A description of the nature of the Consolidated Entity'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 26 August 2020. The Directors have the power to amend and reissue the financial statements.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'16) and Income tax uncertainties.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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

AASB 16 Leases

The Consolidated Entity has early adopted AASB 16 from 1 July 2017. The standard replaces AASB 117 'Leases' and for lessees has eliminated the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset shall be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease shall be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition has been replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

2. Significant accounting policies (continued)

Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Consolidated Entity has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the Consolidated Entity operates, a local tax authority may seek to open a company's books as far back as inception of the Consolidated Entity. Where it is probable, the Consolidated Entity has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the Consolidated Entity has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty). There has been no impact from the adoption of Interpretation 23 in this reporting period.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The working capital position as at 30 June 2020 of the Consolidated Entity results in an excess of current assets over current liabilities of \$2,930,458 (2019: deficit of \$2,460,673). The loss for the Consolidated Entity after providing for income tax amounted to \$5,914,274 (2019: \$966,561), which includes a significant one-off reverse acquisition related expenses amounting to \$3,998,488, being the total fair value of expenses recognised in relation to reverse acquisition. The cash balance as at 30 June 2020 was \$2,345,368 (2019: \$4,374) and the Consolidated Entity's incurred operating cash out flows of \$2,927,984 (2019: \$785,768).

During the year, the Consolidated Entity completed a reverse acquisition and successful re-compliance listing. The Consolidated Entity's trading performance is showing continual improvement, which is broadly in line with management's expectations. Cash flow forecasts prepared by management including the opportunities that are currently being negotiated indicate that the Consolidated Entity will have sufficient funds to meet commitments over the next twelve months from the date of this report. Accordingly, the Directors believe the Consolidated Entity will continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is a significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Consolidated Entity has taken precautionary measures to ensure the safety of this employees and to work remotely to optimise efficiency and curtail travel. At the date of this report, the impact of these measures is not expected to significantly negatively impact the Consolidated Entity's operations.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

2. Significant accounting policies (continued)

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 Consolidated Entity'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 Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Primary Hemp Limited (formerly Alchemia Limited) ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Australian Primary Hemp Limited (formerly Alchemia Limited) and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity 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 Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity 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 Consolidated Entity.

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 Consolidated Entity 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 Consolidated Entity 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.

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.

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; or
- 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.

2. Significant accounting policies (continued)

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.

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 Consolidated Entity'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 Consolidated Entity'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.

Investments and other financial assets

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

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

Financial assets at amortised cost

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

Impairment of financial assets

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

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

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

2. Significant accounting policies (continued)

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.

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.

Goods and Services Tax ('GST') and other similar taxes

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

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

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

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

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2020. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Consolidated Entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Consolidated Entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Consolidated Entity's financial statements.

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.

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Consolidated Entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

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.

Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of property, plant, and equipment

The Consolidated Entity assesses impairment of property, plant, and equipment at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Consolidated Entity 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 Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity'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.

Recovery of deferred tax assets

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

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Consolidated Entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Consolidated Entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

4. Reverse acquisition

On 3 October 2019, Australian Primary Hemp Limited (APH; formerly Alchemia Limited) completed the acquisition of Australian Primary Hemp Pty Ltd (Australian Primary Hemp). The Acquisition has been accounted for using the principles for reverse acquisitions in the AASB 3 Business Combinations (AASB 3) because, as a result of the Acquisition, the former shareholders of Australian Primary Hemp (legal acquiree and accounting acquirer) obtained accounting control of APH (legal acquirer and accounting acquiree).

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 as acquiree was deemed not to be a business for accounting purposes and, therefore, the transaction was not a business combination within the scope of AASB 3. Instead the Acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2 Share-Based Payment (AASB 2), and in particular the guidance in AASB 2 that any difference between the fair value of the shares issued by the accounting acquirer (Australian Primary Hemp) and the fair value of the accounting acquiree's (APH) identifiable net assets represents a service received by Australian Primary Hemp, including payment for a service of an ASX stock exchange listing which was expensed through the consolidated entity's profit and loss statement in the period.

Accordingly, the consolidated financial report of APH has been prepared as a continuation of the business and operations of Australian Primary Hemp. As the deemed accounting acquirer Australian Primary Hemp has accounted for the acquisition from 3 October 2019.

The impact of the reverse asset acquisition on each of the primary statements is as follows:

Consolidated statement of comprehensive income:

- The statement for the year ended 30 June 2020 comprises 12 months of operating results of Australian Primary Hemp and 9 months of APH from the acquisition date of 3 October 2019
- The statement for the period to 30 June 2019 comprises 12 months of Australian Primary Hemp.

Consolidated statement of financial position:

4. Reverse acquisition (continued)

- The consolidated statement of financial position at 30 June 2020 represents Australian Primary Hemp and APH assets and liabilities as at that date.
- The consolidated statement of financial position at 30 June 2019 represents Australian Primary Hemp's assets and liabilities as at that date.

Statement of changes in equity:

- The consolidated statement of changes in equity for the year ended 30 June 2020 comprises Australian Primary Hemp's balances as at 1 July 2019, its profit or loss for the 12 months and transactions with equity holders for 12 month period then ended. It also includes APH's profit or loss for the 9 months and transactions with equity holders for 9 month period then ended from the acquisition date of 3 October 2019.
- The consolidated statement of changes in equity for the year ended 30 June 2019 comprises 12 months of Australian Primary Hemp, its profit or loss for the 12 months and transactions with equity holders for 12 months period then ended.

Statement of cash flows:

- The consolidated statement of cash flows for the year ended 30 June 2020 comprises the cash balances of Australian Primary Hemp, as at 30 June 2019, its cash transactions for the 12 months to 30 June 2020 and cash balances at 30 June 2020. It also includes transactions for 9 months from acquisition date and the cash balance of APH at 30 June 2020.
- The consolidated cash flow statement for the period ended 30 June 2019 comprises 12 months of Australian Primary Hemp cash transactions.

References throughout the financial statements to "reverse acquisition" are in reference to the above accounting treatment.

Listing expense on reverse acquisition

Australian Primary Hemp is deemed to have made a share-based payment for a service of an ASX stock exchange listing which is expensed through the Consolidated Entity's profit or loss statement for the year ended 30 June 2020.

	\$
Number of shares in issue at the date of acquisition	16,234,845
Share price at the date of acquisition	0.20
Deemed consideration paid by Australian Primary Hemp	<u>3,247,236</u>
Cash and cash equivalents*	5,592,263
Trade and other receivables	807,925
Trade and other payables	(532,753)
Employee entitlements	(6,403)
Prospectus funds received in advance of share issue*	<u>(5,336,500)</u>
Net assets acquired	<u>(524,533)</u>
Listing expense recognised on reverse acquisition	<u><u>2,722,703</u></u>

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 Consolidated Entity.

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.

In addition to listing expense on reverse acquisition, the Consolidated Entity incurred other professional and consulting fees expenses in relation to reverse acquisition.

4. Reverse acquisition (continued)

	\$
Listing expense recognised on reverse acquisition	2,722,703
Share-based payments made to the M&A Advisor in lieu of an investment opportunity	650,000
Share-based payments made to the Corporate Advisor in lieu of fees	400,000
Fair value of share options issued to the M&A Advisor and the Corporate Advisor at completion	225,785
Fair value of expenses recognised in relation to reverse acquisition	<u>3,998,488</u>
Other legal, advisory, due diligence and re-compliance expenses	623,347
Capital raising cost recognised under share capital	<u>(552,060)</u>
	<u><u>4,069,775</u></u>

*As part of the reverse acquisition and the re-compliance, the Consolidated Entity issued 28,500,000 ordinary shares and raised \$5,700,000 (before costs). However, receipts from this capital rise were received by APH prior to the acquisition date. The cash balance at the date of acquisition includes the receipts from the shares issued. Therefore, these amounts were excluded from the net asset value at the acquisition date.

5. Operating segments

Identification of reportable operating segments

The Consolidated Entity is currently organised into one operating segment – product division.

Major customers

During the year ended 30 June 2020 approximately 26.6% (2019: 31.6%) of the Consolidated Entity's external revenue was derived from sales to an Australian customer.

Accounting policy for 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.

6. Revenue

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Revenue from contracts with customers</i>		
Goods transferred at a point in time	<u>1,146,665</u>	<u>861,872</u>
<i>Other revenue</i>		
Commissions for services transferred at a point in time	238	758
Other revenue	<u>11,882</u>	<u>-</u>
	<u>12,120</u>	<u>758</u>
Revenue	<u><u>1,158,785</u></u>	<u><u>862,630</u></u>

Revenue

The Consolidated Entity recorded net sales of \$1,146,665 for the year ended (2019: \$861,872). Net sales exclude sale of cultivation seeds amounting to \$146,897 (2019: Nil) as these sales were mostly made at cost as part of a supply contract, which does not meet the revenue accounting policies of the Consolidated Entity.

6. Revenue (continued)

Accounting policy for revenue recognition

The Consolidated Entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: 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 of the goods or services promised to the customer.

Goods transferred at a point in time

Revenue from the goods transferred at a point in time is recognised when the customer obtains control of the goods, which is generally at the time of delivery.

Other revenue

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

7. Other income

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
COVID-19-related government grants	<u>112,000</u>	<u>-</u>

COVID-19-related government grants represent the job keeper and cash flow boost payments received from Federal Government in response to ongoing novel coronavirus (COVID-19) pandemic. Government grants are recognised in the financial statements at expected values or actual cash received when there is a reasonable assurance that the Consolidated Entity will comply with the requirements and that the grant will be received.

8. Expenses

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	12,100	11,467
Plant and equipment	54,708	57,035
Motor vehicles	9,386	11,659
Office equipment	6,770	3,187
Leasehold improvements right-of-use assets	43,319	42,067
	<hr/>	<hr/>
Total depreciation	126,283	125,415
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	151,797	202,946
Interest and finance charges paid/payable on lease liabilities	1,719	4,483
	<hr/>	<hr/>
Finance costs expensed	153,516	207,429
<i>Superannuation expense</i>		
Defined contribution superannuation expense	88,784	34,812
	<hr/>	<hr/>
<i>Share-based payments expense</i>		
Share-based payments expense	3,055	-
	<hr/>	<hr/>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	1,254,532	408,748
	<hr/>	<hr/>
<i>Research costs</i>		
Research costs	1,354	-
	<hr/>	<hr/>

9. Income tax expense

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(5,914,274)	(966,561)
	<hr/>	<hr/>
Tax at the statutory tax rate of 27.5%	(1,626,425)	(265,804)
	<hr/>	<hr/>
Current year temporary differences not recognised	(16,382)	265,804
Non-deductible expenses	5,927	-
Acquisition related costs	1,119,188	-
Unrecognised deferred tax balance in respect of current year losses	486,892	-
Non assessable income	30,800	-
	<hr/>	<hr/>
Income tax expense	-	-
	<hr/> <hr/>	<hr/> <hr/>

9. Income tax expense (continued)

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	<u>68,245,559</u>	<u>3,303,292</u>
Potential tax benefit @ 26% (2019: 27.5%)	<u>17,743,845</u>	<u>908,405</u>

The deferred tax asset relating to carry forward losses has not been recognised in the financial statement and will only be recognised if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) the Company can meet the continuity of business test, or failing that, the same business test.

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	4,407	-
Employee benefits	18,015	-
Accrued expenses	12,021	-
Capital raising costs	133,593	-
Right-of-use assets	<u>(815)</u>	<u>-</u>
Total deferred tax assets not recognised	<u><u>167,221</u></u>	<u><u>-</u></u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

10. Cash and cash equivalents

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Current assets</i>		
Cash on hand	100	100
Cash at bank	<u>2,345,268</u>	<u>4,274</u>
	<u><u>2,345,368</u></u>	<u><u>4,374</u></u>

Accounting policy for 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.

11. Trade and other receivables

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Current assets</i>		
Trade receivables	133,130	62,285
Less: Allowance for expected credit losses	(16,025)	-
	<u>117,105</u>	<u>62,285</u>
 BAS receivable	 52,014	 126,323
	<u>169,119</u>	<u>188,608</u>

Allowance for expected credit losses

The Consolidated Entity has recognised allowance for expected credit loss of \$16,025 in the profit or loss for the year ended 30 June 2020 (2019: Nil).

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

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	%	%	\$	\$	\$	\$
Not overdue	-	-	72,277	59,759	-	-
1 to 3 months	-	-	12,662	2,526	-	-
Over 3 months	33%	-	48,191	-	16,025	-
			<u>133,130</u>	<u>62,285</u>	<u>16,025</u>	<u>-</u>

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

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Opening balance	-	-
Additional provisions recognised	16,025	-
Closing balance	<u>16,025</u>	<u>-</u>

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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

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

12. Inventories

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Current assets</i>		
Raw materials - at lower of cost and net realisable value	564,748	285,020
Finished goods - at lower of cost and net realisable value	379,696	96,648
	<u>944,444</u>	<u>381,668</u>

Accounting policy for 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.

13. Right-of-use assets

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	265,907	129,959
Less: Accumulated depreciation	(129,959)	(86,640)
	<u>135,948</u>	<u>43,319</u>

Additions to the right-of-use assets during the year were \$135,948.

The Consolidated Entity leases land and building for its office and warehouse under agreements of between 3 to 7 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases could be renegotiated.

Reconciliations

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

Consolidated	Land and buildings - right-of-use	Total
	\$	\$
Balance at 1 July 2018	89,146	89,146
Write off of assets	(3,760)	(3,760)
Depreciation expense	(42,067)	(42,067)
Balance at 30 June 2019	43,319	43,319
Additions	135,948	135,948
Depreciation expense	(43,319)	(43,319)
Balance at 30 June 2020	<u>135,948</u>	<u>135,948</u>

13. Right-of-use assets (continued)

Accounting policy for right-of-use assets

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 Consolidated Entity 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.

14. Property, plant, and equipment

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	199,533	171,856
Less: Accumulated depreciation	(30,449)	(18,350)
	<u>169,084</u>	<u>153,506</u>
Plant and equipment - at cost	767,871	563,344
Plant and equipment - work in progress	31,030	-
Less: Accumulated depreciation	(159,605)	(104,897)
	<u>639,296</u>	<u>458,447</u>
Motor vehicles - at cost	69,270	69,270
Less: Accumulated depreciation	(28,275)	(18,889)
	<u>40,995</u>	<u>50,381</u>
Office equipment - at cost	24,637	10,603
Less: Accumulated depreciation	(11,626)	(4,856)
	<u>13,011</u>	<u>5,747</u>
	<u><u>862,386</u></u>	<u><u>668,081</u></u>

Reconciliations

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

Consolidated	Leasehold improvements	Plant and equipment	Motor vehicles	Office equipment	Assets under construction	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	164,973	515,482	62,040	8,934	-	751,429
Depreciation expense	(11,467)	(57,035)	(11,659)	(3,187)	-	(83,348)
Balance at 30 June 2019	153,506	458,447	50,381	5,747	-	668,081
Additions	27,678	204,527	-	14,034	31,030	277,269
Depreciation expense	(12,100)	(54,708)	(9,386)	(6,770)	-	(82,964)
Balance at 30 June 2020	<u>169,084</u>	<u>608,266</u>	<u>40,995</u>	<u>13,011</u>	<u>31,030</u>	<u>862,386</u>

Accounting policy for property, plant, and equipment

Property, 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.

14. Property, plant, and equipment (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant, and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	5-12 years
Plant and equipment	4-12 years
Motor Vehicle	4-6 years
Office furniture	2-10 years

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 Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Based on the review conducted during the year, the management are satisfied with the carrying value of non-current assets and there were no impairment losses recognised in profit or loss during the current and prior periods.

15. Trade and other payables

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Trade payables	40,058	294,855
Other payables	216,766	48,393
	<u>256,824</u>	<u>343,248</u>

Refer to note 22 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity 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 30-60 days of recognition.

16. Borrowings

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Current liabilities</i>		
Commercial loans	270,076	870,076
Related party loans	-	1,745,657
	<u>270,076</u>	<u>2,615,733</u>
<i>Non-current liabilities</i>		
Commercial loans	1,219,718	1,476,789
	<u>1,489,794</u>	<u>4,092,522</u>

Refer to note 22 for further information on financial instruments.

16. Borrowings (continued)

Assets pledged as security

The commercial loans are secured by the Company's present and future property, plant, and equipment as well as by a personal guarantee from a shareholder.

Accounting policy for 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.

17. Lease liabilities

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Current liabilities</i>		
Lease liability	40,664	46,281
<i>Non-current liabilities</i>		
Lease liability	95,284	-
	<u>135,948</u>	<u>46,281</u>

Refer to note 22 for further information on financial instruments.

Accounting policy for lease liabilities

At inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Consolidated Entity assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Consolidated Entity has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Consolidated Entity has the right to direct the use of the asset. The Consolidated Entity has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Consolidated Entity has the right to direct the use of the asset if either:
 - The Consolidated Entity has the right to operate the asset; or
 - The Consolidated Entity designed the asset in a way that predetermine how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2017.

At inception or on reassessment of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Consolidated Entity has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

17. Lease liabilities (continued)

As a lessee

The Consolidated Entity recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Generally, the Consolidated Entity uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Consolidated Entity is reasonably certain to exercise, lease payments in an optional renewal period if the Consolidated Entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Consolidated Entity is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method, It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Consolidated Entity's estimate of the amount expected to be payable under a residual value guarantee, or if the Consolidated Entity changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Consolidated Entity has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Consolidated Entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

18. Employee benefits

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Current liabilities</i>		
Annual leave	53,260	23,030
<i>Non-current liabilities</i>		
Long service leave	5,095	6,163
	58,355	29,193

Accounting policy for 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.

18. Employee benefits (continued)

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 using the projected unit credit method. 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.

19. Issued capital

	Consolidated			
	30 June 2020 Shares	30 June 2019 Shares	30 June 2020 \$	30 June 2019 \$
Ordinary shares - fully paid	69,755,136	16,234,845	11,660,353	100

Due to the reverse acquisition described in note 4 to the financial statements, the contributed equity represents that of accounting acquirer (Australian Primary Hemp) while the shares on issue reflect the legal parent (Australian Primary Hemp Limited).

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	16,234,845		100
Balance	30 June 2019	16,234,845		100
Shares issued as part of debt conversion	3 October 2019	-	\$0.00	1,326,750
Shares issued in relation to acquisition of a subsidiary	3 October 2019	15,225,000	\$0.21	3,247,235
Shares issued to advisors in lieu of fees for services and an investment opportunity	3 October 2019	5,250,000	\$0.20	1,050,000
Shares issued as part of debt conversion	3 October 2019	4,320,291	\$0.20	879,000
Share issued	3 October 2019	28,500,000	\$0.20	5,700,000
Issue of shares for advisory board services	27 March 2020	225,000	\$0.05	11,250
Costs of issuing shares		-	-	(553,982)
Balance	30 June 2020	69,755,136		11,660,353

During the year ended 30 June 2020, the Company issued 28,500,000 ordinary shares and raised \$5,700,000 before costs. In addition, the Company also;

- issued 15,225,000 ordinary shares in relation the acquisition of Australian Primary Hemp, completed on 3 October 2019. These consideration shares are subject to escrow for 24 months from Official Quotation.
- issued 5,250,000 ordinary shares to the M&A Advisor and the Corporate Advisor in lieu of an investment opportunity and advisory services, respectively. These consideration shares are subject to escrow for 24 months from Official Quotation.
- issued 4,320,291 ordinary shares in relation to settlement of a commercial loan and related party loans. Of these, 320,291 shares are subject to escrow for 12 months from Official Quotation.

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.

19. Issued capital (continued)

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.

Shares under options

Information relating to the Consolidated Entity's details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 34 to the financial statements.

Deferred Consideration Shares

Under the Share Sale Agreement, 30% of the Consideration Shares, being 6,525,000 deferred consideration shares owed to the sellers of the subsidiary are not to be issued until the end of deferred period. As per the Share Sale Agreement, these deferred shares will be issued at a future date and whose issue is subject to certain conditions other than the passage of time (deferred consideration).

Capital risk management

The Consolidated Entity'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 Consolidated Entity may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity 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 Consolidated Entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses.

The Consolidated Entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for 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.

20. Reserves

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Share-based payments reserve	228,840	-

20. Reserves (continued)

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.

The amounts recognised at 30 June 2020, includes the fair value of options issued to advisors as part of the reverse acquisition described in note 4 to the financial statements.

Unlisted Options

Under the Share Sale Agreement, sellers of the subsidiary were issued with 7,692,308 unlisted options at an exercise price of \$0.26, expiring on 2 October 2022 and escrowed 24 months from official quotation date.

Shares under options

Information relating to the Consolidated Entity's details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 34 to the financial statements.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments reserve \$	Total \$
Balance at 1 July 2018	-	-
Balance at 30 June 2019	-	-
Cost of share-based payments	240,090	240,090
Shares issued	(11,250)	(11,250)
Balance at 30 June 2020	<u>228,840</u>	<u>228,840</u>

21. Dividends

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

22. Financial instruments

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Consolidated Entity'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 Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis.

Risk management is carried out by directors and management ("management") under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Management reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Consolidated Entity's main exposure to exchange rate risk relates primarily to trade payable US dollars and Euro, arising from its operations. Where a payable is significant, US dollars and Euro may be purchased on incurring the liability or commitment. There are no outstanding trade payable denominated in foreign currencies at 30 June 2020 and 2019.

Price risk

The Consolidated Entity is not exposed to any significant price risk at the reporting date.

22. Financial instruments (continued)

Interest rate risk

The Consolidated Entity's exposure to interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated Entity to fair value interest rate risk. To mitigate risks arising from variable rates management have entered into loan agreements with fixed rates of interest.

For the Consolidated Entity, the loans outstanding totalling to \$1,489,794 (2019: \$4,092,522), are principal and interest payment loans secured at fixed rate.

Quarterly cash outlays of approximately \$12,989 (2019: \$15,015) per quarter are required to service the interest payments over the remaining life of these interest-bearing loans. In addition, minimum principal prepayments of \$270,076 (2019: \$270,076) are due during the year ending 30 June 2021 (2019: 30 June 2020).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity 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 Consolidated Entity does not hold any collateral.

The Consolidated Entity 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 Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

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

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

Financing arrangements

There are no unused borrowing facilities at 30 June 2020 and 2019.

22. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Consolidated Entity'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.

Consolidated - 30 June 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	40,058	-	-	-	40,058
Other payables	-	216,766	-	-	-	216,766
<i>Interest-bearing - fixed rate</i>						
Commercial loans	5.70%	363,477	345,002	673,346	510,833	1,892,658
Lease liability	6.00%	46,000	49,440	50,923	-	146,363
Total non-derivatives		666,301	394,442	724,269	510,833	2,295,845

Consolidated - 30 June 2019	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	294,855	-	-	-	294,855
Other payables	-	48,393	-	-	-	48,393
<i>Interest-bearing - fixed rate</i>						
Related party loans	7.00%	1,745,657	-	-	-	1,745,657
Commercial loans	6.70%	979,207	363,477	840,242	688,938	2,871,864
Lease liability	6.00%	48,000	-	-	-	48,000
Total non-derivatives		3,116,112	363,477	840,242	688,938	5,008,769

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

23. Fair value measurement

Accounting policy for 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.

24. Key management personnel disclosures

Directors

The following persons were Directors of Australian Primary Hemp Limited during the financial year:

Mr. Cameron Petricevic	Non-Executive Chairman
Ms. Pauline Gately	Independent Non-Executive Director (Appointed on 2 October 2019)
Mr. Charles Mann	Executive Director and Chief Executive Officer (Appointed on 2 October 2019 and resigned on 12 March 2020)
Mr. James Hood	Executive Director and Chief Operating Officer (Appointed on 2 October 2019)
Ms. Melanie Leydin	Executive Director (Resigned on 2 October 2019)
Mr. Lynden Polonsky	Independent Non-Executive Director (Resigned on 2 October 2019)

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Neale Joseph	Chief Executive Officer (Appointed on 13 March 2020)
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Compensation

As noted in note 4 to the financial statements, the Consolidated Entity completed reverse acquisition on 3 October 2019 and consequently, the consolidated financial report has been prepared as a continuation of the business and operations of Australian Primary Hemp. However, for information in the remuneration report were presented as a continuation of the business of Australian Primary Hemp Limited (formerly Alchemia Limited). Therefore, the KMP information presented in the below table differ from those disclosed in the remuneration report.

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

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Short-term employee benefits	528,049	122,167
Post-employment benefits	28,009	-
Long-term benefits	2,215	1,619
Share-based payments	3,055	-
	561,328	123,786
	561,328	123,786

25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the Company:

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Audit services - Grant Thornton (2019: RSM Australia Partners)</i>		
Audit or review of the financial statements	49,000	-
	49,000	-

As noted in note 4 to the financial statements, the Consolidated Entity completed reverse acquisition on 3 October 2019. As part of the reverse takeover, 2019 audit expenses of Australian Primary Hemp were paid by APH prior to the acquisition.

26. Contingent assets and liabilities

No contingent assets or liabilities exist at the year-ended 30 June 2020 or at year-ended 30 June 2019.

27. Commitments

As at 30 June 2019, Australian Primary Hemp Pty Ltd entered into a binding purchase agreement for supply of raw hemp grain totalling \$1,105,000. As at 30 June 2020, the Company's remaining commitment was approximately \$700,000, which is contingent upon cropping yields.

No capital commitments existed at the year-ended 30 June 2020 or 30 June 2019.

28. Related party transactions

Parent entity

Australian Primary Hemp Limited is the legal parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
Payment for goods and services:		
Payment for consultancy services from CIA Mann Family Trust (director related entity of Charles Mann)	-	136,425
Payment for consultancy services from Merang Partners (director related entity of James Hood)	-	93,462
Payment for rent of plant and equipment from CIA Mann Family Trust (director related entity of Charles Mann)	-	32,988

Receivables from and payable to related parties

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

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
Current receivables:		
Receivable with Dehulling Victoria (director related entity of Charles Mann)	-	1,354
Receivable with Finola Australia (director related entity of Charles Mann and James Hood)	-	1,275
Current payable:		
Trade payable owed to CIA Mann Family Trust (director related entity of Charles Mann)	-	93,000
Trade payable owed to James Hood (director)	-	182
Trade payable owed to SEM Patterson Pty LTD (related entity of former director Skye Patterson)	-	2,497
Trade payable owed to Skye Patterson (former director)	-	3,956
Loans from related parties:		
CIA Mann Family Trust (director related entity of Charles Mann)	-	1,125,244
DR Hood Family Trust (director related entity of James Hood)	-	184,447
Skye Elizabeth Patterson (former director)	-	314,500
James Robert Hood (director)	-	125,726

28. Related party transactions (continued)

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. The loans payable to related parties are unsecured and repayable within 3 years. An interest rate of 7% per annum was applicable during the year.

Transactions with related parties as part of the reverse acquisition

As discussed in note 4 to the financial statements, on 3 October 2019, APH completed the acquisition of Australian Primary Hemp. As part of this acquisition, following transactions occurred with related parties.

- (i) On 3 October 2019, the Company issued 15,225,000 consideration shares in relation the acquisition of Australian Primary Hemp. This includes 8,085,000 and 5,320,000 shares issued to Mr. Charlie Mann (a former Executive Director and Chief Executive Officer) and Mr. James Hood (Executive Director and Chief Operating Officer). In addition, the Company issued 7,692,308 unlisted options to shareholders of Australian Primary Hemp as consideration options as part of the acquisition. This includes 1,419,231 and 5,369,231 shares issued to Mr. Mann and Mr. Hood.
- (ii) The Company issued 3,250,000 shares amounting to \$650,000 to nominees of the M&A Advisor, of which one entity was associated with Mr. Cameron Petricevic, Non-Executive Chairman. These options were convertible to shares on successful completion of transaction as such the shares were issued on 3 October 2019. In addition, the Company issued 1,521,129 unlisted options to nominees of the M&A Advisor. These shares and options were treated as Share-Based Payments and recognised in the financial statements as per AASB 2 Share-Based Payments.
- (iii) As part of the acquisition, the Company issued 320,291 shares for settlement of borrowing from DR Hood Family Trust, a related party of Mr. James Hood (Executive Director and Chief Operating Officer).
- (iv) The current and former Directors of APH (or their nominees) participated in the capital rise as follows:
 - Cameron Petricevic, Non-Executive Chairman, acquired up to \$319,300 worth of shares.
 - Pauline Gately, Independent Non-Executive Director, acquired up to \$10,000 worth of shares.
 - Lynden Polonsky (Independent Non-Executive Director, resigned on 2 October 2019) acquired up to \$75,000 worth of shares.
 - Melanie Leydin (Executive Director, resigned on 2 October 2019) acquired up to \$25,000 worth of shares.

29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2020	30 June 2019
	\$	\$
Loss after income tax	(2,385,738)	(966,561)
Total comprehensive income	(2,385,738)	(966,561)

29. Parent entity information (continued)

Statement of financial position

	Parent	
	30 June 2020	30 June 2019
	\$	\$
Total current assets	1,133,374	574,650
Total assets	2,131,708	1,286,050
Total current liabilities	4,452,824	3,035,323
Total liabilities	5,772,921	4,518,275
Equity		
Issued capital	1,976,850	100
Accumulated losses	(5,618,063)	(3,232,325)
Total deficiency in equity	<u>(3,641,213)</u>	<u>(3,232,225)</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant, and equipment

The parent entity had no capital commitments for property, plant, and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates 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.

30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2020 %	30 June 2019 %
Alchemia Oncology Pty Ltd	Australia	100.00%	100.00%
Australian Primary Hemp Pty Ltd	Australia	100.00%	-

On 3 October 2019, the Company completed the acquisition of Australian Primary Hemp. The acquisition has been accounted for using the principles for reverse acquisitions in AASB 3. Accordingly, the consolidated financial report has been prepared as a continuation of the business and operations of Australian Primary Hemp. As the deemed accounting acquirer Australian Primary Hemp has accounted for the acquisition on 3 October 2019. Please refer to note 4 to the financial statements for further information on the acquisition accounting.

31. Events after the reporting period

On 21 August 2020, the Company announced that it has signed two-year exclusive supply agreement with Annex Foods, a leading Australian FMCG food manufacturer and marketer, for the supply of Australian grown Hemp Seeds.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

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

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
Loss after income tax expense for the year	(5,914,274)	(966,561)
Adjustments for:		
Depreciation and amortisation	126,283	125,415
Share-based payments	228,840	-
Non-cash acquisition expenses	3,796,227	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	41,116	173,364
Increase in inventories	(562,776)	(200,867)
Increase in prepayments	(39,951)	-
Decrease in trade and other payables	(619,177)	(93,229)
Decrease in provision for income tax	(7,031)	(9,547)
Increase in employee benefits	22,759	14,324
Increase in borrowing	-	171,333
Net cash used in operating activities	<u>(2,927,984)</u>	<u>(785,768)</u>

33. Changes in liabilities arising from financing activities

	Convertible	Related party	Commercial	Lease liability	Total
Consolidated	notes	loan	loans	\$	\$
	\$	\$	\$	\$	\$
Balance at 1 July 2018	-	1,111,950	543,730	93,558	1,749,238
Loans received	-	462,374	488,157	-	950,531
Conversion of advances to loans	-	171,333	1,436,083	-	1,607,416
Repayments	-	-	(121,105)	(47,277)	(168,382)
Balance at 30 June 2019	-	1,745,657	2,346,865	46,281	4,138,803
Loans received	800,000	-	-	-	800,000
Changes through business combinations	-	-	(600,000)	-	(600,000)
Loan repayments	-	(339,907)	(257,071)	(46,281)	(643,259)
Conversion to share capital	(800,000)	(1,405,750)	-	-	(2,205,750)
Balance at 30 June 2020	<u>-</u>	<u>-</u>	<u>1,489,794</u>	<u>-</u>	<u>1,489,794</u>

34. Earnings per share

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Loss after income tax attributable to the Owners of Australian Primary Hemp Limited (formerly Alchemia Limited)	<u>(5,914,274)</u>	<u>(966,561)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>54,391,449</u>	<u>10,150,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>54,391,449</u>	<u>10,150,000</u>
	Cents	Cents
Basic earnings per share	(10.87)	(9.52)
Diluted earnings per share	(10.87)	(9.52)

As noted in note 4 to the financial statements, the Company completed the reverse acquisition of Australian Primary Hemp on 3 October 2019. While the consolidated financial statements were prepared as a continuation of Australian Primary Hemp, the ordinary shares in note 18 to the financial statements reflects the equity structure of APH (legal acquirer and accounting acquiree), including the equity interests issued to effect the reverse acquisition.

Based on the guidance from AASB 3.B26, the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) were calculated as follows:

During the 2020 financial year, in which the reverse acquisition occurred:

- the number of ordinary shares outstanding from the beginning of the year to the acquisition date computed on the basis of the weighted average number of ordinary shares of Australian Primary Hemp (legal acquiree and accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the Share Sale Agreement; and
- the weighted average number of ordinary shares outstanding from the acquisition date to the end of the year are the actual number of ordinary shares of APH (legal acquirer and the accounting acquiree) outstanding during that period.

The basic earnings per share for each comparative period before the acquisition date presented in the consolidated financial statements following the reverse acquisition calculated by dividing:

- the profit or loss of Australian Primary Hemp (legal acquiree and accounting acquirer) attributable to ordinary shareholders in each of those periods by the Australian Primary Hemp's (legal acquiree and accounting acquirer) historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the Share Sale Agreement.

Under the Share Sale Agreement, 30% of the Consideration Shares, being 6,525,000 deferred consideration shares owed to the sellers of the subsidiary are not to be issued until the end of deferred period. As per the Share Sale Agreement, these deferred shares will be issued at a future date and whose issue is subject to certain conditions other than the passage of time (deferred consideration). Accordingly, deferred consideration shares are not included in the earning per share calculations.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the Owners of Australian Primary Hemp Limited (formerly Alchemia 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.

34. Earnings per share (continued)

Diluted earnings per share

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

Deferred consideration shares are excluded from both basic and diluted earnings per share as their issue at a future date is subject to conditions other than the passage of time.

For financial year ended 30 June 2020 outstanding options and performance rights totalling to 11,354,284 (2019: Nil) are anti-dilutive and are therefore excluded from the calculation of diluted earnings per share.

35. Share-based payments

Equity issues for services to third parties

From time to time, the Company may issue of ordinary shares and options over ordinary shares in the Company for goods or services rendered to the Company.

Equity issues to employees

From time to time, the Company may issue of ordinary shares and options and rights options over ordinary shares in the Company to directors and employees of the Company as remuneration in recognition of past performance or other services provided to the Consolidated Entity.

Set out below are summaries of options granted under the plan:

	Number of options 30 June 2020	Weighted average exercise price 30 June 2020	Number of options 30 June 2019	Weighted average exercise price 30 June 2019
Outstanding at the beginning of the financial year	-	-	-	-
Granted as part of the acquisition	<u>10,354,284</u>	\$0.26	-	-
Outstanding at the end of the financial year	<u><u>10,354,284</u></u>	\$0.26	<u>-</u>	-

* Options issued during the year includes 7,692,308 unlisted options issued in relation the acquisition of Australian Primary Hemp which were issued with an exercise price of \$0.26, expiring on 2 October 2022 and escrowed 24 months from official quotation date.

** The Company issued options of 1,521,129 to the M&A Advisor and 1,140,847 to the Corporate Advisor in lieu of an investment opportunity and advisory services, respectively. These options were treated as share-based payments and expenses amounting to \$225,785 were recognised under AASB 2 Share-Based Payments. These options were issued with an exercise price of \$0.26, expiring on 2 October 2022 and escrowed 24 months from official quotation date.

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted as part of acquisition	Exercised	Expired/forfeited/other	Balance at the end of the year
03/10/2019	02/10/2022	\$0.26	-	7,692,308	-	-	7,692,308
03/10/2019	02/10/2022	\$0.26	-	1,521,129	-	-	1,521,129
03/10/2019	02/10/2022	\$0.26	-	1,140,847	-	-	1,140,847
			-	<u>10,354,284</u>	-	-	<u>10,354,284</u>
Weighted average exercise price			\$0.00	\$0.26	\$0.00	\$0.00	\$0.26

The weighted average share price during the financial year was \$0.155.

35. Share-based payments (continued)

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.26 years.

A share option plan has been established by the Consolidated Entity, whereby the Consolidated Entity may, at the discretion of the Nomination and Remuneration Committee, grant options and rights over ordinary shares in the Company to certain key management personnel and employees of the Consolidated Entity. The options and rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

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

	Number of rights 30 June 2020	Weighted average exercise price 30 June 2020	Number of rights 30 June 2019	Weighted average exercise price 30 June 2019
Outstanding at the beginning of the financial year	-	-	-	-
Granted during the year as part of remuneration*	1,000,000	\$0.00	-	-
Outstanding at the end of the financial year	<u>1,000,000</u>	<u>\$0.00</u>	<u>-</u>	<u>-</u>

* Rights granted during the year represent 3 rights over fully paid ordinary shares of 1,000,000 in total in APH to a key management person. The tables above represent the maximum number of ordinary shares to be issued in the event of rights were to be exercised.

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted as part of remuneration	Exercised	Expired/forfeited/other	Balance at the end of the year
13/06/2020	12/05/2021	\$0.00	-	1,000,000	-	-	1,000,000
			-	1,000,000	-	-	1,000,000

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.87 years.

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	Risk-free interest rate	Fair value at grant date
03/10/2019	02/10/2022	\$0.20	\$0.26	75.00%	1.00%	\$0.085

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	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
13/06/2020	12/05/2021	\$0.11	\$0.00	-	-	\$0.110
13/06/2020	12/05/2021	\$0.11	\$0.00	25.10%	0.30%	\$0.100

Accounting policy for share-based payments

Equity-settled and cash-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. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

35. Share-based payments (continued)

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

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

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

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

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

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 Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity 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.

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Directors' declaration
30 June 2020



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 Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink, appearing to read "C. Petricevic", written over a horizontal line.

Cameron Petricevic
Non-Executive Chairman

26 August 2020

Independent Auditor's Report

To the Members of Australian Primary Hemp Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Australian Primary Hemp Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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.

Key audit matter
How our audit addressed the key audit matter
Revenue (Note 6)

The Group derives revenue through the sale of goods which are performed under a combination of individual contractual agreements.

Although the major revenue streams do not require significant management judgement to calculate revenue, the recognition of revenue requires the processing of significant volumes of transaction data to calculate revenue in accordance with contractual agreements.

We have determined the occurrence of revenue to be a key audit matter due to the significance of the balance, and volume of transactions.

Our procedures included, amongst others:

- Reviewing the revenue recognition policy of the Group for compliance with AASB 15 *Revenues from Contracts with Customers*;
- Performing analytical procedures to understand movements and trends in revenue;
- Selecting a sample of revenue transactions which occurred during the period and verifying they were appropriately recognized by inspecting source documents;
- Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct period; and
- Assessing the adequacy of the Group's revenue disclosures within the financial statements.

Reverse Acquisition (Note 4)

During the period Australian Primary Hemp Limited (the "listed Company") completed the legal acquisition of Australian Primary Hemp Pty Ltd (the "Private company").

The acquisition was accounted for as a reverse acquisition on the basis that the former shareholders of the Private company obtained accounting control of the listed Company. For accounting purposes, this results in the Private company being treated as the acquirer. The accounting standards require that the difference between the fair value of the accounting consideration shares issues by the Private company and the fair value of the identifiable net assets of the listed Company be recognised as a listing expense. As the private Company did not issue consideration, the consideration for the accounting purpose is deemed to be the fair value of the listed Company's existing equity instruments.

Due to the judgement involved in the cost allocation, the materiality of the transaction and the complexity of the associated accounting, we considered this a key audit matter.

Our procedures included, amongst others:

- Evaluating management's position paper and assessment of the accounting acquirer in the transaction for compliance with relevant standards;
- Obtaining and reading underlying contractual agreements to understand the nature of the transaction and it's accounting implications are in line with management's position paper;
- Assessing the accuracy of inputs and reasonableness of assumptions used in management's calculation to determine the listing expense;
- Assessing the allocation of costs incurred between the capital raise and the listing portion of the transaction for appropriateness;
- Reviewing the reconciliation of share capital and evaluating whether balances appropriately reflect the nature of the transactions which occurred during the period; and
- Assessing the adequacy of the Group's disclosures within the financial statements.

Going Concern (Note 2)

The financial statements have been prepared on a going concern basis as discussed in Note 2. To adopt the going concern assumption, the Directors are required to conclude that the Group will have sufficient cash to fund its operations and meet its liabilities as they fall due for a period of at least 12 months from the date of approving the financial statements.

The Group incurred net cash outflows from operating activities for the year of \$2.9m, and as at 30 June 2020, it has a surplus of current assets to current liabilities of \$2.9m. The Group is forecasting an increase in revenue for the 2021 financial year which it believes will assist in having sufficient funds to meet commitments over the relevant period.

We included the going concern assumption as a key audit matter as cash flow forecasts involve a level of management judgement.

Our procedures included, amongst others:

- Obtaining the Group's cash flow forecast model and gaining an understanding of key assumptions and judgements underlying the model;
- Assessing the cash flow requirements of the Group over 12 months from the date of signing the financial statements;
- Considering what forecast expenditure is committed and what could be considered discretionary;
- Challenging the reasonableness of the key assumptions, including those driving the cash flows underpinning the analysis;
- Performing sensitivity analysis on key assumptions to assess the impact on forecasted cashflows; and
- Assessed the disclosures in the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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/auditors_responsibilities/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 in the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Australian Primary Hemp Limited, for the year ended 30 June 2020 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 26 August 2020

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Shareholder information
30 June 2020



The Shareholder information set out below was applicable as at 19 August 2020.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Total units	%	Number of holders of options	Total units	%	Number of holders of rights	Total units Total	%
1 to 1,000	3,367	609,217	0.87%	-	-	-	-	-	-
1,001 to 5,000	564	1,511,676	2.17%	-	-	-	-	-	-
5,001 to 10,000	191	1,506,827	2.16%	-	-	-	-	-	-
10,001 to 100,000	268	8,273,189	11.86%	-	-	-	-	-	-
100,001 and over	64	57,854,227	82.94%	14	10,354,284	100.00%	1	1,000,000	100.00%
	4,454	69,755,136	100.00%	14	10,354,284	100.00%	1	1,000,000	100.00%

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	% of total shares issued
CIA Mann Family Pty Ltd	8,543,671	12.25
HSBC Custody Nominees (Australia) Limited	5,499,786	7.88
James Robert Hood Pty Ltd	5,320,000	7.63
TTOR Pty Ltd	4,999,999	7.17
Mutual Trust Pty Ltd	3,250,000	4.66
Crofton Park Development Pty Ltd	2,736,667	3.92
Jasforce Pty Ltd	2,350,000	3.37
CG Nominees (Australia) Pty Ltd	2,000,000	2.87
Shomron Pty Ltd	1,971,338	2.83
Sem Patterson Pty Ltd	1,540,000	2.21
LD Fifty Ltd	1,250,000	1.79
Cassa Trading Pty Ltd	1,227,435	1.76
Mr Ashley James Hardwick	1,100,000	1.58
Peter Johnson & Kim Johnson	1,100,000	1.58
NA Investments (Vic) No 2 Pty Ltd	1,100,000	1.58
Brittany Pty Ltd	1,100,000	1.58
Stepheno Holdings Pty Ltd	971,022	1.39
Citicorp Nominees Pty Limited	671,106	0.96
Kent Street Capital No. 2 Pty Ltd	650,000	0.93
Okulicz Pty Ltd	640,661	0.92
	48,021,685	68.86

Substantial holders

Substantial holders in the Company are set out below:

	Number held	% of total shares issued
CIA Mann Family Pty Ltd	8,543,671	12.25
HSBC Custody Nominees (Australia) Limited	5,499,786	7.88
James Robert Hood Pty Ltd	5,320,000	7.63
TTOR Pty Ltd	4,999,999	7.17
	Number held	% of total options issued
James Robert Hood Pty Ltd	5,369,231	51.85%

Australian Primary Hemp Limited (formerly Alchemia Limited) and Consolidated Entities
Shareholder information
30 June 2020



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.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Fully Paid Ordinary Shares	12 months from date of issue (2 October 2020)	320,291
Fully Paid Ordinary Shares	24 months from date of issue (2 October 2021)	20,195,000
Unlisted Options Ordinary Shares	24 months from the date of grant (2 October 2021)	10,354,284
		<hr/>
		30,869,575

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Consolidated Entity states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company. Consistent with the use of funds which were disclosed under the Replacement Prospectus dated 16 September 2019, the Consolidated Entity believes it has used its cash in a consistent manner for the following purposes:

- Build-up of inventory (including hemp seed and finished hemp grain product)
- Acquisition of equipment for expansion
- Loan repayments
- Paying expenses of the acquisition
- Meeting working capital (including strengthening of the management team)