

## 1. Company details

Name of entity:	Australian Primary Hemp Limited
ABN:	43 071 666 334
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	51.8% to	742,417
Loss from ordinary activities after tax attributable to the Owners of Australian Primary Hemp Limited	down	78.3% to	(1,051,829)
Loss for the half-year attributable to the Owners of Australian Primary Hemp Limited	down	78.3% to	(1,051,829)

### *Dividends*

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

### *Comments*

The loss for the Consolidated Entity after providing for income tax amounted to \$1,051,829 (31 December 2019: \$4,857,811).

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>2.39</u>	<u>5.41</u>

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### *Current period*

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

### *Previous period*

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

## 7. Dividend reinvestment plans

Not applicable.

**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

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

Not applicable.

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**10. Audit qualification or review**

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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**11. Attachments**

*Details of attachments (if any):*

The Interim Report of Australian Primary Hemp Limited for the half-year ended 31 December 2020 is attached.

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**12. Signed**



Signed by Pauline Gately

Date: 24 February 2021

# **Australian Primary Hemp Limited and Consolidated Entities**

**ABN 43 071 666 334**

**Interim Report - 31 December 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 (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

### **Directors**

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

Ms. Pauline Gately, Non-Executive Chair (appointed as non-executive chair on 8 October 2020)  
Mr. Cameron Petricevic, Non-Executive Director  
Mr. Neale Joseph, Chief Executive Officer and Managing Director (appointed as a Director on 8 October 2020)  
Mr. James Hood, Executive Director and Chief Operating Officer

### **Principal activities**

Australian Primary Hemp Limited ("APH") is a vertically integrated business which produces, manufactures, and distributes a range of hemp products under the APH and Mt Elephant brands, 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 sales of bulk and retail products.

### **Review of operations**

The loss for the Consolidated Entity after providing for income tax amounted to \$1,051,829 (31 December 2019: \$4,857,811).

The net assets of the Consolidated Entity decreased by \$920,598 to \$1,821,996 as at 31 December 2020 (30 June 2020: \$2,742,594). The Consolidated Entity had net cash outflows from operating activities for the period of \$1,175,994 (31 December 2019: \$1,819,429). Working capital, being current assets less current liabilities, decreased by \$1,027,455 to \$1,903,003 (30 June 2020: \$2,930,458).

The Consolidated Entity recorded net sales of \$742,417 for the half-year ended (31 December 2019: \$488,929). Net sales exclude sale of cultivation seeds amounting to \$221,461 (31 December 2019: \$146,897) 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.

During the period, the Company implemented changes and announced the following outcomes:

- In August 2020, APH signed a two-year \$780,000 supply contract with Annex Foods to supply Australian grown hemp seeds;
- In response to the COVID-19 impacts in the market, the company sold personal protective equipment (hemp face masks and hemp infused hand sanitiser) to retailers in Australia, New Zealand, USA and United Kingdom;
- In October, the Board of Directors was restructured, installing Pauline Gately as an independent Non-Executive Chair with Cameron Petricevic reverting to Non-Executive Director and Chair of the Risk and Audit Committee. Additionally, Neale Joseph, Chief Executive Officer, was appointed to the Board of Directors;
- In November, the Company announced a distribution agreement with 7-Eleven to range its snack bars in 720 stores nationally in Australia commencing March 2021;
- In line with the strategy outlined in May 2020, the Company implemented a new agricultural plan which has increased supply security through the contracting of thirteen of Tasmania's leading farmers to grow and harvest hemp crops. Agronomy services were also engaged to support the planting, management and harvest of the 2021 crop as well as the drying and grading systems;
- Several key management changes were made in this period including a Head of Consumer Business, Business Development Director, Brand Manager and Corporate Accountant to support the strategy of evolution to a branded value-added plant-based health and wellness company.

### **Significant changes in the state of affairs**

On 21 October 2020, the Company issued 6,525,000 ordinary shares following completion of the Deferred Period set out in Section 3.2 of the Replacement Prospectus dated 16 September 2019 and Section 1.3.1 of the Notice of Annual General Meeting held on 16 September 2019 (Deferred Consideration Shares). The issue of the Deferred Consideration Shares represents the full and final settlement of the acquisition of Australian Primary Hemp Pty Limited. The Deferred Consideration Shares are subject to voluntary escrow until 2 October 2021.

On 22 October 2020, the Company issued 334,000 unlisted options to Pauline Gately (Non-Executive Chair), exercisable at \$0.26 expiring 22 October 2023. On the same date, the Company issued 334,000 unlisted options to Cameron Petricevic (Non-Executive Director), exercisable at \$0.26 expiring 22 October 2023. The issue of the unlisted options was approved by Shareholders at the Company's Annual General Meeting of Shareholders held on 2 October 2020.

Further to an announcement on 31 December 2020, the Company released 187,500 fully paid ordinary shares from voluntary escrow on 8 January 2021. Those shares were being released early from voluntary escrow due to exceptional circumstances. Upon release, 21,882,791 fully paid ordinary shares remain subject to voluntary escrow until October 2021.

**Matters subsequent to the end of the financial half-year**

On 20 January 2021, the Company announced its intention to raise approximately \$5.2 million (before costs) from strategic, institutional and sophisticated investors by way of Placement. The announcement stated that approximately 16 million new fully paid ordinary shares in the Company would be issued under the Placement at an issue price of \$0.32 per share. It was also announced that the Company was initiating a Share Purchase Plan at a fixed price of \$0.32 per share to raise up to an additional \$1.0 million (before costs) from existing shareholders. The Company advised that proceeds from the Placement and Share Purchase Plan will enable APH to accelerate its growth strategy and its ongoing transformation from an ingredient producer to become a branded value-added health and wellness company.

On 27 January 2021, the Company confirmed that it had issued 16,200,000 fully paid ordinary shares at an issue price of \$0.32. Funds raised from the Placement totalled \$5.184 million.

On 15 February 2021, the Company confirmed that it had successfully completed the Share Purchase Plan announced on 20 January 2021. The Company issued 3,124,999 shares at an issue price of \$0.32 per share raising approximately \$1m. These shares were issued on 18 February 2021.

No other matter or circumstance has arisen since 31 December 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.

**Auditor's independence declaration**

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

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



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Pauline Gately  
Non-Executive Chair

24 February 2021

## 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 review of Australian Primary Hemp Limited for the year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M J Climpson  
Partner – Audit & Assurance

Melbourne, 24 February 2021

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**31 December 2020**



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**Australian Primary Hemp Limited and Consolidated Entities**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2020**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	5	742,417	488,929
Other income	6	224,907	5,000
Interest income		242	(3,843)
<b>Expenses</b>			
Raw materials, inventories and consumables used		(482,077)	(559,821)
Professional and consulting	3	(232,453)	(3,832,227)
Employee benefits expense		(779,283)	(534,478)
Depreciation and amortisation expense		(66,512)	(60,833)
Corporate and administration expenses		(408,068)	(277,539)
Finance costs		(51,002)	(82,999)
<b>Loss before income tax expense</b>		(1,051,829)	(4,857,811)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the Owners of Australian Primary Hemp Limited</b>		(1,051,829)	(4,857,811)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the Owners of Australian Primary Hemp Limited</b>		<u>(1,051,829)</u>	<u>(4,857,811)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	14	(1.45)	(11.56)
Diluted earnings per share	14	(1.45)	(11.56)

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



**Australian Primary Hemp Limited and Consolidated Entities**  
**Statement of financial position**  
**As at 31 December 2020**



	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2020</b>
<b>Note</b>	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	943,782	2,345,368
Trade and other receivables	254,792	169,119
Inventories	1,454,461	944,444
Prepayments	112,775	92,351
<b>Total current assets</b>	<u>2,765,810</u>	<u>3,551,282</u>
<b>Non-current assets</b>		
Property, plant and equipment	847,950	862,386
Right-of-use assets	112,290	135,948
Other	133,899	133,899
<b>Total non-current assets</b>	<u>1,094,139</u>	<u>1,132,233</u>
<b>Total assets</b>	<u>3,859,949</u>	<u>4,683,515</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	462,522	256,824
Borrowings	270,076	270,076
Lease liabilities	43,878	40,664
Employee benefits	86,331	53,260
<b>Total current liabilities</b>	<u>862,807</u>	<u>620,824</u>
<b>Non-current liabilities</b>		
Borrowings	1,093,726	1,219,718
Lease liabilities	72,713	95,284
Employee benefits	8,707	5,095
<b>Total non-current liabilities</b>	<u>1,175,146</u>	<u>1,320,097</u>
<b>Total liabilities</b>	<u>2,037,953</u>	<u>1,940,921</u>
<b>Net assets</b>	<u>1,821,996</u>	<u>2,742,594</u>
<b>Equity</b>		
Issued capital	8 11,660,353	11,660,353
Reserves	9 360,071	228,840
Accumulated losses	<u>(10,198,428)</u>	<u>(9,146,599)</u>
<b>Total equity</b>	<u>1,821,996</u>	<u>2,742,594</u>

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

**Australian Primary Hemp Limited and Consolidated Entities**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2020**



<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2019	100	-	(3,232,325)	-	(3,232,225)
Loss after income tax expense for the half-year	-	-	(4,857,811)	-	(4,857,811)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(4,857,811)	-	(4,857,811)
<i>Transactions with Owners in their capacity as Owners:</i>					
Contributions of equity, net of transaction costs	11,650,925	-	-	-	11,650,925
Share-based payments	-	225,785	-	-	225,785
Balance at 31 December 2019	<u>11,651,025</u>	<u>225,785</u>	<u>(8,090,136)</u>	<u>-</u>	<u>3,786,674</u>
<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2020	11,660,353	228,840	(9,146,599)	-	2,742,594
Loss after income tax expense for the half-year	-	-	(1,051,829)	-	(1,051,829)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,051,829)	-	(1,051,829)
<i>Transactions with Owners in their capacity as Owners:</i>					
Share-based payments	-	131,231	-	-	131,231
Balance at 31 December 2020	<u>11,660,353</u>	<u>360,071</u>	<u>(10,198,428)</u>	<u>-</u>	<u>1,821,996</u>

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

**Australian Primary Hemp Limited and Consolidated Entities**  
**Statement of cash flows**  
**For the half-year ended 31 December 2020**



	<b>Consolidated</b>	
<b>Note</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	710,419	373,468
Payments to suppliers and employees (inclusive of GST)	<u>(2,111,562)</u>	<u>(2,192,897)</u>
	(1,401,143)	(1,819,429)
Covid-19 related government grants	180,000	-
Other income	44,907	-
Interest received	<u>242</u>	<u>-</u>
Net cash used in operating activities	<u>(1,175,994)</u>	<u>(1,819,429)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(38,687)	(297,719)
Proceeds from disposal of property, plant and equipment	10,269	-
Cash acquired on reverse acquisition	3	<u>5,592,263</u>
Net cash from/(used in) investing activities	<u>(28,418)</u>	<u>5,294,544</u>
<b>Cash flows from financing activities</b>		
Share application refunds	-	(65,500)
Proceeds from borrowings	-	800,000
Share issue transaction costs	-	(135,335)
Interest and other finance costs paid	(51,826)	(82,999)
Repayment of borrowings	(125,991)	(472,541)
Repayment of lease liabilities	<u>(19,357)</u>	<u>(22,749)</u>
Net cash from/(used in) financing activities	<u>(197,174)</u>	<u>20,876</u>
Net increase/(decrease) in cash and cash equivalents	(1,401,586)	3,495,991
Cash and cash equivalents at the beginning of the financial half-year	<u>2,345,368</u>	<u>4,374</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>943,782</u></u>	<u><u>3,500,365</u></u>

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

### **Note 1. General information**

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

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

<b>Registered office</b>	<b>Principal place of business</b>
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 24 February 2021. The Directors have the power to amend and reissue the financial statements.

### **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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') that are mandatory for the current reporting period.

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

#### **Going concern**

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business

As outlined in Note 13, the Company successfully raised additional equity subsequent to the reporting period. The Directors are of the opinion that the Consolidated Entity will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated, for a period not less than one year from the date of signing the financial report.

### **Note 3. Reverse acquisition**

On 3 October 2019, Australian Primary Hemp Limited (formerly Alchemia Limited) ("APH") completed the Acquisition of Australian Primary Hemp Pty Ltd ("Australian Primary Hemp"). The Acquisition was 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 Alchemia Limited (legal acquirer and accounting acquiree).

### **Note 3. Reverse acquisition (continued)**

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 as the 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-Payments (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 acquisition on each of the primary statements is as follows:

*Consolidated statement of comprehensive income:*

- The statement for the period ended 31 December 2020 comprises six months of Australian Primary Hemp and APH.
- The statement for the period ended 31 December 2019 comprises six months of operating results of Australian Primary Hemp and three months of APH from the acquisition date of 3 October 2019.

*Consolidated statement of financial position:*

- The consolidated statement of financial position at 31 December 2020 and 30 June 2020 represents Australian Primary Hemp and APH assets and liabilities as at that date.

*Statement of changes in equity:*

- The consolidated statement of changes in equity for the period ended 31 December 2020 comprises six months of Australian Primary Hemp and APH.
- The consolidated statement of changes in equity for the period ended 31 December 2019 comprises Australian Primary Hemp's balances at 1 July 2019, its profit or loss for the six months and transactions with equity holders for six months. It also includes APH's profit or loss for the three months ended 31 December 2019 and transactions with equity holders for three months from the acquisition date of 3 October 2019.

*Statement of cash flows:*

- The consolidated cash flow statement for the period ended 31 December 2020 comprises six months of Australian Primary Hemp and APH cash transactions.
- The consolidated statement of cash flows for the period ended 31 December 2019 comprises the cash balances of Australian Primary Hemp at 30 June 2019, the cash transactions for the six months to 31 December 2019 together with three months for APH and the cash balance of Australian Primary Hemp and APH at 31 December 2019.

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

### **Note 4. Operating segments**

*Identification of reportable operating segments*

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

**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
<i>Revenue from contracts with customers</i>		
Goods transferred at a point in time	742,417	477,284
<i>Other revenue</i>		
Commissions for services transferred at a point in time	-	238
Other revenue	-	11,407
	<u>-</u>	<u>11,645</u>
Revenue	<u>742,417</u>	<u>488,929</u>

The Consolidated entity recorded net sales of \$742,417 for the half-year period ended (31 December 2019: \$477,284). Net sales exclude sale of cultivation seeds amounting to \$221,461 (31 December 2019: \$146,897) as these sales were mostly made at cost as part of a supply contract and do not qualify as revenue under current accounting standards.

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
COVID-19 related government grants	180,000	-
Other income	44,907	5,000
	<u>224,907</u>	<u>5,000</u>
Other income	<u>224,907</u>	<u>5,000</u>

**Note 7. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current borrowings</b>		
Commercial loans	270,076	270,076
	<u>270,076</u>	<u>270,076</u>

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current borrowings</b>		
Commercial loans	1,093,726	1,219,718
	<u>1,093,726</u>	<u>1,219,718</u>

Borrowing include a commercial loan (no covenants other than meeting the regular repayment schedule ending on Jul-28) and finance lease facilities outstanding at the end of the quarter. The loan is secured by the Company's present and future property, plant, and equipment as well as by a personal guarantee from a shareholder. The fixed interest rate on the loan is 7% per annum.

**Note 8. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 December 2020 Shares</b>	<b>30 June 2020 Shares</b>	<b>31 December 2020 \$</b>	<b>30 June 2020 \$</b>
Ordinary shares - fully paid	<u>76,280,136</u>	<u>69,755,136</u>	<u>11,660,353</u>	<u>11,660,353</u>

Due to the reverse acquisition described in Note 3, the contributed equity represents that of accounting acquirer (Australian Primary Hemp Pty Ltd) while the shares on issue reflect the legal parent (Australian Primary Hemp Limited).

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2020	69,755,136		11,660,353
Shares issued in relation to acquisition of subsidiary	21 October 2020	<u>6,525,000</u>	\$0.00	<u>-</u>
Balance	31 December 2020	<u>76,280,136</u>		<u>11,660,353</u>

On 21 October 2020, the Company issued 6,525,000 ordinary shares following completion of the Deferred Period set out in Section 3.2 of the Replacement Prospectus of 16 September 2019 and Section 1.3.1 of the Notice of Annual General Meeting held on 16 September 2019 (Deferred Consideration Shares). The issue of the Deferred Consideration Shares represents the full and final settlement of the acquisition of Australian Primary Hemp Pty Limited. The Deferred Consideration Shares are subject to voluntary escrow until 2 October 2021.

*Ordinary shares*

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

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

*Share buy-back*

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

**Note 9. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 December 2020 \$</b>	<b>30 June 2020 \$</b>
Share based payments reserve	<u>360,071</u>	<u>228,840</u>

*Share-based payments reserve*

The amounts recognised at 31 December 2020, represent the fair value of options issued to corporate advisors as part of the reverse acquisition in October 2019, the fair value of performance rights over fully paid ordinary shares issued to Neale Joseph (Chief Executive Officer and Managing Director) and the fair value of unlisted options issued to Pauline Gately (Non-Executive Chair) and Cameron Petricevic (Non-Executive Director).

**Unlisted Options**

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. On 22 October 2020, the Company issued 334,000 unlisted options to Pauline Gately (Non-Executive Chair), exercisable at \$0.26 expiring 22 October 2023. On the same date, the Company issued 334,000 unlisted options to Cameron Petricevic (Non-Executive Director), exercisable at \$0.26 expiring 22 October 2023.

**Note 10. Equity - dividends**

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

**Note 11. Contingent liabilities**

The consolidated entity had no contingent liabilities at 31 December 2020 and 30 June 2020.

**Note 12. Interests in subsidiaries**

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

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

**Note 13. Events after the reporting period**

On 20 January 2021, the Company announced its intention to raise approximately \$5.2 million (before costs) from strategic, institutional and sophisticated investors by way of Placement. The announcement stated that approximately 16 million new fully paid ordinary shares in the Company would be issued under the Placement at an issue price of \$0.32 per share. It was also announced that the Company was initiating a Share Purchase Plan at a fixed price of \$0.32 per share to raise up to an additional \$1.0 million (before costs) from existing shareholders. The Company advised that proceeds from the Placement and Share Purchase Plan will enable APH to accelerate its growth strategy and its ongoing transformation from an ingredient producer to become a branded value-added health and wellness company.

On 27 January 2021, the Company confirmed that it had issued 16,200,000 fully paid ordinary shares at an issue price of \$0.32. Funds raised from the Placement totalled \$5.184 million.

On 15 February 2021, the Company confirmed that it had successfully completed the Share Purchase Plan announced on 20 January 2021. The Company issued 3,124,999 shares at an issue price of \$0.32 per share raising approximately \$1m. These shares were issued on 18 February 2021.

No other matter or circumstance has arisen since 31 December 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.

**Note 14. Earnings per share**

	Consolidated	
	31 December 2020 \$	31 December 2019 \$
Loss after income tax attributable to the Owners of Australian Primary Hemp Limited	<u>(1,051,829)</u>	<u>(4,857,811)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>72,308,397</u>	<u>42,012,882</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>72,308,397</u>	<u>42,012,882</u>



**Note 14. Earnings per share (continued)**

	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.45)	(11.56)
Diluted earnings per share	(1.45)	(11.56)

*Deferred consideration shares issued to vendors of APH*

At the acquisition date, deferred consideration shares were excluded from both basic and diluted earnings per share as their issue at a future date was subject to conditions other than the passage of time. Upon satisfying the conditions, the Company issued 6,525,000 ordinary shares to the vendors of Australian Primary Hemp on 21 October 2020. Accordingly, these shares are included in both basic and diluted earnings per share calculation from the date of their issue.

**Australian Primary Hemp Limited and Consolidated Entities**  
**Directors' declaration**  
**31 December 2020**



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance for the financial half-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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink that reads "P. Gately". The signature is written in a cursive style with a large initial "P" and a stylized "G".

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Pauline Gately  
Non-Executive Chair

24 February 2021

# Independent Auditor's Review Report

## To the Members of Australian Primary Hemp Limited

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Australian Primary Hemp Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Australian Primary Hemp Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the [name of entity's] financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M J Climpson  
Partner – Audit & Assurance

Melbourne, 24 February 2021