



**ALCHEMIA LIMITED (ACN 071 666 334)**

**REPLACEMENT PROSPECTUS**



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## **Important Notice**

### **Offer**

The Offer contained in this replacement prospectus (**Prospectus**) is an invitation to acquire fully paid ordinary shares in Alchemia Limited (ACN 071 666 334) (**Alchemia** or **ACL** or **Company**) (**Shares**). This Prospectus is issued by the Company.

### **Lodgement and listing**

This Prospectus is dated Monday, 16 September 2019 and it replaces the Original Prospectus dated Wednesday, 4 September 2019 relating to the Shares of the Company. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. None of ASIC, the Australian Securities Exchange (**ASX**) or their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company has applied to ASX for Listing and Official Quotation of its Shares.

This Prospectus expires on the date which is 13 months after the Prospectus Date. No securities will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

### **Overview of the material changes from the Original Prospectus**

This Prospectus has been issued to provide disclosure in relation to the following matters, which are material changes from the Original Prospectus:

- further disclosure about what type of escrow is applicable and the percentage of Shares which will be escrowed following Completion of the Offers;
- addressing the structure and content of certain tables and sections of the Prospectus to ensure this Prospectus is clear, concise and effective.

### **Note to Applicants**

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. You should carefully consider this Prospectus in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

Some of the risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or its Directors.

### **No Cooling-Off Rights**

Cooling-off rights do not apply to an investment in Shares acquired under the Prospectus. This means that, in most circumstances, you cannot withdraw your application to acquire Shares under this Prospectus once it has been accepted.

### **Exposure period**

In accordance with Chapter 6D of the Corporations Act, the Original Prospectus was subject to an exposure period of seven days from the date of lodgement of the Original Prospectus with ASIC (**Exposure Period**). If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporation Act.

### **Obtaining a copy of this Prospectus**

The Offer constituted by this Prospectus in electronic form at [www.alchemia.net.au](http://www.alchemia.net.au) are available only to persons within Australia or certain persons in jurisdictions authorised by the Company.

Subject to the foregoing, it is not available to persons in other jurisdictions (including the United States of America). Persons having received a copy of this Prospectus in its electronic form may, before the Offer close, obtain a paper copy of this Prospectus (free of charge) by telephoning the Share Registry on 1300 554 474 within Australia. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 3 9692 7222.

Applications for Shares may only be made on an application form attached to or accompanying this Prospectus, or via the relevant electronic application form attached to the electronic version of this Prospectus (**Application Form**) available at [www.alchemia.net.au](http://www.alchemia.net.au). The Corporations Act prohibits any person from passing the Application Form onto another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. Refer to Section 7 for further information on the details of the Offer.

### **Statements of past performance**

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

### **Financial performance**

Section 4 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of the financial information is set out in Section 4. All references to FY2017, FY2018 and FY2019 appearing in this Prospectus are to the eleven months ended 30 June 2017 and financial years ended 30 June 2018 and 30 June 2019 respectively, unless otherwise indicated.

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by the IFRS. Compliance with these standards ensures that the Historical Financial Information complies with the recognition and reporting principles of the International Financial Reporting Standards.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated.

Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

### **Conditional Offer**

The Offer is conditional on:

- (a) ASX conditional approval to admit the Company's Shares to Official Quotation; and
- (b) the Company receiving valid applications for \$5,700,000 worth of Shares under the Offer, (together, the **Conditions**).

## **Forward looking statements**

This Prospectus contains forward looking statements which are identified by words such as “believes”, “considers”, “could”, “estimates”, “expects”, “intends”, “may”, and other similar words that involve risks and uncertainties. Such forward looking statements are not guaranteeing future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company.

Any forward-looking statements are subject to various risk factors that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. The Company has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

## **Consolidation**

The Company’s issued capital will be consolidated through the conversion of 20 equity securities into 1 equity security. All references to numbers of equity securities in this Prospectus appears on a pre-Consolidation basis unless otherwise stated.

## **RTO Price**

For the purposes of comparisons in this Prospectus, the majority of the figures in this Prospectus are on a pre-Consolidation basis.

Notwithstanding this, if you fill out the Application Form to apply for New Shares and are allocated a parcel of New Shares, those Shares will be issued on a post-Consolidation basis. Note that all trading of Shares will take place on a post-Consolidation basis.

## **Industry and market data**

Industry and market data used throughout this Prospectus is, in most cases, obtained from surveys and studies conducted by third parties and industry or general publications. The Company considers that this information provides an independent insight into this market and has no reason to believe that this information is unreliable.

## **Photographs and diagrams**

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company or its Subsidiaries. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

## **Company website**

Any references to documents included on the Company’s website at [www.alchemia.net.au](http://www.alchemia.net.au) are for convenience only, and none of the documents or other information available on the Company’s website is incorporated herein by reference.

## **Defined terms and time**

Defined terms and abbreviations used in this Prospectus have the meanings given in the glossary in Section 10 or as defined in the body of the Prospectus.

Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne, Australia time.

### **Disclaimer**

Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

Applicants should carefully consider the risk factors that affect the Company specifically and the industry in which it proposes to operate. Applicants should understand that an investment in the Company is both speculative and subject to a wide range of risks and that, even if the Company successfully demonstrates the feasibility of its business model, it is possible that Applicants may lose the entire value of their investment.

### **Selling restrictions**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared to conform to the securities laws in Australia.

This Prospectus may not be distributed to, or relied upon by, any person in the United States. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States unless the Shares are registered under the US Securities Act, or are offered or sold in a transaction exempt from, or not subject to the registration requirements of the US Securities Act and applicable US state securities laws is available.

### **Privacy**

By filling out the Application Form to apply for New Shares, you are providing personal information to the Company through the Share Registry, which is contracted by the Company to manage applications. The Company and the Share Registry on their behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a Shareholder, providing facilities and services that you need or request and carrying out appropriate administration. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;

- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Company will include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. The information contained in the Company's register of members must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments, corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to their personal information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

A fee may be charged for access. Access requests must be made in writing or by a telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the corporate directory on the final page of this Prospectus. Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website, [www.alchemia.net.au](http://www.alchemia.net.au).

By submitting an Application, you agree that the Company and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

#### **Use of trademarks**

This Prospectus includes the Company's registered and unregistered trademarks. All other trademarks, tradenames and service marks appearing in this Prospectus are the property of their respective owners.

## Executive Summary

Particulars	Details (on a pre-Consolidation basis) <sup>1</sup>	Details (on a post-Consolidation basis) <sup>1</sup>
Amount to be raised under the Offer	\$5,700,000	\$5,700,000
Offer Price per Share (being the RTO Price)	\$0.01	\$0.20
Total number of Shares currently on issue	324,723,621	16,236,181
Shares to be issued under Offer	570,000,000	28,500,000
Shares to be issued under Sellers Offer	304,500,000	15,225,000
Shares to be issued under Convertible Offer	80,000,000	4,000,000
Shares to be issued to M&A Advisor	65,000,000	3,250,000
Shares to be issued to Corporate Advisor	40,000,000	2,000,000
Shares to be issued on debt conversion	6,405,828	320,291
Total number of Shares on issue at Completion	1,390,629,449	69,531,472
Percentage of Shares held by Existing Shareholders following Completion	23.4%	23.4%
Indicative market capitalisation upon Completion <sup>2</sup>	\$13,906,294.49	\$13,906,294.49

### Notes:

<sup>1</sup> Percentage of security holdings is calculated based on the Deferred Consideration Shares not being issued until after the Deferred Period.

<sup>2</sup> Market capitalisation is determined by multiplying the total number of Shares on issue by the price at which the Shares trade on the ASX from time to time. In the table above, the market capitalisation is calculated at the RTO Price. Please note that there is no guarantee that the Shares will be trading at the RTO Price upon Re-compliance.

## Key Offer Details

Key statistics	Securities (on a pre-Consolidation basis)	Securities (on a post-Consolidation basis)	Percentage undiluted <sup>1</sup> (%)	Percentage diluted <sup>1</sup> (%)
Total number of Shares currently on issue	324,723,621	16,236,181	21.3%	18.8%
New Shares to be issued under Offer	570,000,000	28,500,000	37.5%	33.0%
Consideration Shares to be issued under Sellers Offer <sup>2</sup>	304,500,000	15,225,000	20.0%	17.6%
Shares to be issued under Convertible Offer <sup>3</sup>	80,000,000	4,000,000	5.3%	4.6%
Consideration Shares to be issued to M&A Advisor <sup>4</sup>	65,000,000	3,250,000	4.3%	3.8%
Shares to be issued to Corporate Advisor <sup>5</sup>	40,000,000	2,000,000	2.6%	2.3%
Shares to be issued on debt conversion	6,405,828	320,291	0.4%	0.4%
<b>TOTAL number of Shares on issue at Recombliance</b>	<b>1,390,629,449</b>	<b>69,531,472</b>	<b>91.4%</b>	<b>80.50%</b>
Deferred Consideration Shares to be issued under Sellers Offer <sup>6</sup>	130,500,000	6,525,000	8.6%	7.6%
<b>TOTAL number of Shares (incl. Deferred Consideration Shares)</b>	<b>1,521,129,449</b>	<b>76,056,472</b>	<b>100.0%</b>	<b>88.0%</b>
<b>TOTAL actual quoted Shares on issue at Recombliance</b>	<b>974,723,621</b>	<b>48,736,181</b>	<b>64.1%</b>	<b>56.4%</b>
Consideration Options to be issued under Sellers Offer <sup>7</sup>	153,846,154	7,692,308	N/A	8.9%
Consideration Options to be issued to the M&A Advisor <sup>8</sup>	30,422,589	1,521,129	N/A	1.8%
Corporate Advisor Options <sup>9</sup>	22,816,942	1,140,847	N/A	1.3%
<b>TOTAL number of Options on issue at Recombliance</b>	<b>207,085,685</b>	<b>10,354,284</b>	<b>N/A</b>	<b>12.0%</b>
<b>TOTAL number of Securities on issue (incl. Deferred Consideration Shares)</b>	<b>1,728,215,134</b>	<b>86,410,757</b>	<b>N/A</b>	<b>100.0%</b>

**Notes:**

<sup>1</sup> Percentage of security holdings is calculated based on the assumption that all the Deferred Consideration Shares will be issued.

<sup>2</sup> Under the Share Sale Agreement, only 70% of the Consideration Shares owed to the Sellers are to be issued at Completion, being 304,500,000 Consideration Shares (however, all of the Consideration Shares (including the Deferred Consideration Shares owed to the Sellers) will be subject to escrow for 24 months from Official Quotation). The entirety of the Shares owed to the M&A Advisor, being 65,000,000 Shares, will be issued at Completion. The total securities to be issued to the Sellers under the Sellers Offer is 588,846,154 or 34.1% on a fully diluted basis.

<sup>3</sup> The terms of the Notes issued under the Convertible Offer include (but are not limited to) zero interest being paid on the Notes and a conversion price of the Notes equal to the RTO Price (i.e. zero discount to the RTO Price). For a complete breakdown of the terms of the Convertible Offer, please see Section 9.3.6.

<sup>4</sup> The M&A Advisor or its nominees have agreed to accede to the Share Sale Agreement, subject to it having no other obligation or liability to the other parties to the Share Sale Agreement and not giving any indemnity, warranty or other similar undertaking to the Company, APH and APH shareholders (but will be subject to escrow for 24 months from Official Quotation). Please see Section 9.3.2 for more information on the securities to be issued to the M&A Advisor and Section 9.3.5 for more information on the deed of accession and variation to the Share Sale Agreement.

<sup>5</sup> Please see Section 9.3.9 for more information on the Shares to be issued to the Corporate Advisor (of which all of the Shares will be subject to escrow for 24 months from Official Quotation).

<sup>6</sup> Under the Share Sale Agreement, 30% of the Consideration Shares owed to the Sellers are not to be issued, being 130,500,000 Deferred Consideration Shares, until the Deferred Period comes to an end (but will still be subject to escrow for 24 months from Official Quotation).

<sup>7</sup> The total number of Consideration Options to be issued to the Sellers gives the right to acquire A\$2,000,000 worth of Shares at a strike price of 30% above the RTO Price, with a 3-year expiry term (commencing from the date of Reconciliation and subject to escrow for 24 months from Official Quotation).

<sup>8</sup> Consideration Options includes the 153,846,154 Options to be issued to the Sellers (or their nominees) as well as the 30,422,589 Options to be issued to the M&A Advisor. For more information on the terms of the Options, please see Section 9.3.3 for which this table assumes that those options in APH have been fully exercised as at the date of Reconciliation (subject to escrow for 24 months from Official Quotation).

<sup>9</sup> Please see Section 9.3.9 for more information on the Options to be issued to the Corporate Advisor (of which all of the Options will be subject to escrow for 24 months from Official Quotation).

## Important dates

Particulars	Date (2019) <sup>1</sup>
Despatch notice to ACL shareholders	Wednesday, 14 August
Lodgement of Original Prospectus with ASIC	Wednesday, 4 September
Lodgement of Replacement Prospectus with ASIC	Monday, 16 September
Annual general meeting of Shareholders	Monday, 16 September
Shareholder approval for Consolidation – the Company informs ASX that the Consolidation has been approved	Monday, 16 September
Prospectus Offer period	Monday, 16 September <b>(Open)</b>  Friday, 20 September <b>(Closed)</b>
Send notice to ACL Shareholders and register Shares on a post-Consolidation basis and issue holding statements	Monday, 23 September
Settlement of the Offer	Wednesday, 25 September
Issue and allotment of Shares under the Acquisition (being, Completion)	Friday, 27 September
Commencement of trading on ASX on a Deferred Settlement Basis	Monday, 30 September
Despatch of holding statements	Tuesday, 8 October
Commencement of trading of Shares on ASX	Friday, 11 October

### Notes:

<sup>1</sup> This timetable is indicative only. Unless otherwise indicated, all times given are AEST. The Company, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or Applicants). If an Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after an Offer opens.

## Chair's Letter

Dear Investor

On behalf of the Board of Alchemia Limited, it is my pleasure to present this Prospectus and to offer you the opportunity become a shareholder of the Company.

Changes to the Australia New Zealand Food Standards Code (FSANZ) which came into effect in November 2017 now allow for the sale of hemp food products, which has led to a nascent, but rapidly growing industry for alternative protein sources in addition to the other verticals for hemp sales.

Alchemia proposes to become a Company operating in the hemp product sector, supplying 100% Australian grown and manufactured hemp products, through the acquisition of Australian Primary Hemp Ltd (**APH**). Alchemia announced the execution of a Share Sale Agreement to acquire 100% of the share capital of APH on 21 June 2019.

APH is based in Victoria (Geelong) and is a vertically integrated hemp business selling a range of products under the APH brand, to retail, wholesale and white label customers in Australia. Specifically, APH engages in growing, producing and selling hemp product, handling all areas of the hemp value chain, encompassing: selection, farming, processing, manufacturing, quality assessment, packaging as well as distribution and sale of bulk and retail products.

APH was founded in 2016 with a multi-layered approach to:

- establish a network of farmers to grow the hemp seed under contract and produce hemp grain;
- purchase FINOLA® hemp seed under an exclusive supply agreement in Australia (and other varieties of hemp seed);
- establish Australia's largest hemp facility in Victoria, to process and package hemp grain; and
- produce and sell hemp including their own branded hemp products.

APH is now an established and revenue-generating business, holding all necessary licenses, permits and approvals to conduct its business.

The purpose of the Offer is to raise \$5,700,000 via the issue of 570,000,000 New Shares at \$0.01 per share (on a pre-Consolidation basis) (being 28,500,000 Shares at \$0.20 per share (on a post-Consolidation basis)) to provide capital to accelerate the growth of APH.

An investment in Alchemia (subject to the reverse takeover of APH) involves a number of risks, including risks associated with investing in an early stage company, operating in an industry which is subject to new legislative and licensing regimes, counterparty risk regarding its operations as well as agricultural and other associated risks. A key risks summary is identified in section 1.3 in this Prospectus and further outlined in section 5.

This Prospectus also includes detailed information about the Offer, as well as the financial position, operations, management team, and other details that may be relevant when assessing an investment in the Company. I encourage you to read this Prospectus carefully and in its entirety before making your investment decision and, if required, consult with your stockbroker, solicitor, accountant or other independent professional adviser.

On behalf of the Board, I present the Offer to you and look forward to welcoming you as a shareholder of the Company.

Yours sincerely

A handwritten signature in blue ink, appearing to read "C. Petricevic". The signature is fluid and cursive, with a large initial "C" and a long, sweeping underline.

Cameron Petricevic, Chair

## 1. Investment Overview

### 1.1 Overview of Alchemia and APH

Topic	Summary	Further information
<b>Who is the issuer of this Prospectus?</b>	Alchemia Limited (ACN 071 666 334) ( <b>Alchemia</b> or <b>ACL</b> or the <b>Company</b> ), an Australian public company that was incorporated on 2 November 1995 in Queensland, Australia.	Section 9.1
<b>Who is Alchemia?</b>	ACL is a publicly listed company with no ongoing business activities. ACL was founded in 1995 and previously operated as a biotechnology company, developing oncology products and technology. The development of this intellectual property (and related operations) ceased following trial failures in October 2014 and ACL has been looking for alternative assets since then. None of the original Board or management (involved with ACL's past operations as a biotechnology company) remain with ACL today.	Section 3.1
<b>Who is APH?</b>	<p>Australian Primary Hemp Pty Ltd (ACN 614 061 951) (<b>APH</b>) was incorporated on 4 August 2016 in Victoria, Australia.</p> <p>APH's founders first began researching alternative proteins in 2012. After numerous R&amp;D efforts, APH launched in 2016 with a multi-layered approach to:</p> <ul style="list-style-type: none"> <li>▪ establish a network of farmers to grow the hemp seed under contract and produce hemp grain;</li> <li>▪ purchase FINOLA® hemp seed under an exclusive supply agreement in Australia (and other hemp varieties non-exclusively that are suited to the Australian climate);</li> <li>▪ establish Australia's largest hemp facility in Victoria, to process and package hemp grain; and</li> <li>▪ produce and sell hemp including their own branded hemp products.</li> </ul>	Section 3.4
<b>Who are the people behind APH?</b>	APH was founded by Charles Mann (Proposed Director and CEO) and James Hood (Proposed Director and COO) who both have extensive experience in the agricultural industry. Details of the Proposed Directors and senior management team are provided in Section 6.	Section 6
<b>What is the Acquisition?</b>	<p>On 21 June 2019, the Company announced that it had executed the Share Sale Agreement with the Sellers pursuant to which the Company will acquire 100% of the share capital of APH, being the Sale Shares and, in consideration, will issue 500,000,000 Shares (being, <b>Consideration Shares</b>) and 184,268,743 Options (being, <b>Consideration Options</b>) to persons (including the M&amp;A Advisor).</p> <p>In addition, the Company will also issue Shares and Options to the Corporate Advisor (<b>Acquisition</b>).</p> <p>On Completion, the Company will issue 70% of the Consideration Shares (excluding the Consideration Shares to be issued to the M&amp;A Advisor, meaning the Company will issue 100% of the Consideration</p>	Section 3.2

Topic	Summary	Further information
	<p>Shares of the M&amp;A Advisor (being 65,000,000 Shares)), with the remaining 30% of the Consideration Shares (being, the <b>Deferred Consideration Shares</b>) being withheld from being issued following a 12 month period commencing on the date the Company is re-admitted to the Official List (<b>Deferred Period</b>), for the purposes of any warranty and/or indemnity claim made by the Company under the Share Sale Agreement.</p> <p>A summary of the key terms of the Share Sale Agreement, including a list of all of the remaining conditions precedent that are required to be satisfied or waived (where possible) is set out in Section 9.3.4.</p> <p>Following the Completion, the Company will focus on the development of the APH Business.</p>	
<b>Why is the Offer a 'conditional offer'</b>	Completion is subject to certain conditions (summarised in Section 9.3.4). One of those conditions is the approval of Shareholders of the Company at the AGM held on Monday, 16 September 2019 at 10:00am.	Section 9.3.4
<b>What industry will the Company operate in following Completion?</b>	The Company will operate in the hemp food products sector, supplying 100% Australian grown and manufactured hemp food products.	Section 3.5
<b>What are APH's current business activities?</b>	<p>APH is a vertically integrated business that produces, manufactures and distributes a range of hemp food products under the APH brand, to retail, wholesale and white label customers in Australia. APH engages in hemp growing and production services as well as handling in all areas of the hemp value chain, encompassing; hemp seed selection, farming, processing, packaging as well as distribution and sale of bulk and retail edible products. APH primarily operates out of its facility in Geelong, Victoria.</p> <p>APH purchases hemp seed (some varieties of which is exclusive to APH) to supply to its vast farmer network, who cultivate and harvest the hemp seed on behalf of APH. APH purchases the cultivated hemp seeds (referred to as hemp grain) under contract from their network of growers to process for sale.</p> <p>APH owns processing infrastructure, including de-hulling equipment, and occasionally partners with third parties for additional value-add processing. APH supply bulk product, as well as their own private-labelled products, of hemp oil, hemp seed, and hemp-focused products (including protein and fibre).</p>	Section 3.5

Topic	Summary	Further information
<p><b>What is APH's business model?</b></p>	<p><b>Part 1: Purchase of hemp seed</b></p> <p>APH imports raw FINOLA® hemp seeds predominantly from Canada and Finland (as well as purchasing other varieties of hemp seeds). APH is the exclusive supplier of FINOLA® in Australia (see Section 3.12 for more detail on FINOLA® and Section 9.3.10 for more detail on APH's exclusive rights to FINOLA® in Australia).</p> <p><b>Part 2: Cultivation and Production</b></p> <p>APH on-sells these hemp seeds to its vast network of farmers across Australia (or occasionally allows its network of farmers to purchase non-FINOLA® varieties of seed from other sources), who grow the hemp seeds under contract on APH's behalf. This network of growers is managed directly by APH or through other contracted third parties. Whether managed directly, or via third parties, APH purchases the hemp grain that has been grown by these contracted growers.</p> <p><b>Part 3: Manufacture of hemp seeds</b></p> <p>The hemp grain undergoes a three-stage manufacturing process:</p> <ol style="list-style-type: none"> <li>1. Hemp grain de-hulling;</li> <li>2. Cold Pressing; and</li> <li>3. Milling.</li> </ol> <p><b>Part 4: Product Packaging</b></p> <p>APH's processing facility has the capability to package wholesale and retail-ready products with on-site retail packaging equipment. APH packages and distributes retail products from its processing facility.</p> <p><b>Part 5: Sales and Distribution</b></p> <p>APH's sales are predominantly within Australia and New Zealand, and result from:</p> <ul style="list-style-type: none"> <li>▪ <b>wholesale parties</b> who use either the raw hemp grain or processed bulk products (including de-hulled hemp seed, milled powders, and cold-pressed hemp oil) as ingredients in their own products (e.g. breakfast cereals or hand cream); and</li> <li>▪ <b>retail consumers</b> of APH's own-branded products (e.g. hemp seeds, Hemp Boost and Hemp Balance milled powders, and cold pressed hemp oil).</li> </ul>	<p>Section 3.6</p>

Topic	Summary	Further information
<p><b>How does APH generate revenue?</b></p>	<p>APH has six main methods for generating revenue:</p> <ul style="list-style-type: none"> <li>▪ <b>(Hemp products – wholesale):</b> APH sells a variety of its own hemp products wholesale, including hemp seeds, cold-pressed hemp oil, high-in-fibre hemp powder (Hemp Balance), high-in-protein hemp powder (Hemp Boost), hemp hearts (fines), and hemp ‘offal’ (which is used for animal stock feed). APH sells these products to consumers and other wholesale distributors as a white-labelled product.</li> <li>▪ <b>(Hemp products – retail sale):</b> APH sells hemp products under its own branding and packaging through its website and other platforms. These products include hemp seeds, cold-pressed hemp oil, high-in-fibre hemp powder (Hemp Balance), and high-in-protein hemp powder (Hemp Boost).</li> <li>▪ <b>(Resale of hemp seeds):</b> APH sells hemp seeds to its farmer network and generates a small margin.</li> <li>▪ <b>(Resale of hemp grain):</b> APH supplies unprocessed hemp grain to other licensed manufacturers of hemp food products.</li> <li>▪ <b>(Contract de-hulling services):</b> APH provides de-hulling services to other hemp seed growers.</li> <li>▪ <b>(Contract packaging services):</b> APH provides packaging services for de-hulled hemp grain to other hemp seed producers.</li> </ul>	<p>Section 3.8</p>
<p><b>Who are APH’s customers?</b></p>	<p>APH’s customers include direct consumers, wholesalers, distributors and manufacturers.</p>	<p>Section 3.8</p>
<p><b>What is the regulatory landscape?</b></p>	<p>The changes to the Australia New Zealand Food Standards Code (<b>FSANZ</b>) commenced on 12 November 2017 to allow the sale of hemp food products. Since then, the hemp industry has grown rapidly.</p>	<p>Section 2.5</p>
<p><b>What is the difference between hemp and marijuana?</b></p>	<p>Hemp, also called industrial hemp, refers to the non-psychoactive varieties of the genus of flowering plant, <i>cannabis sativa L.</i>. Unlike marijuana, hemp contains negligible amounts of THC, the chemical in marijuana that produces psychoactive results. Hemp seeds contain negligible amounts of THC (usually less than 0.35%), only the leaves of the plant and the flower hold this chemical.</p>	<p>Section 2.2</p>
<p><b>What licences and permits does APH hold?</b></p>	<p>APH holds all necessary licences, permits and approvals to conduct its current and proposed business activities in its current markets.</p>	<p>Section 0</p>

<p><b>What registered intellectual property does APH hold?</b></p>	<p>APH has obtained or applied for the following trademarks:</p> <table border="1" data-bbox="411 271 1235 517"> <thead> <tr> <th data-bbox="411 271 544 376">Number</th> <th data-bbox="544 271 687 376">Status</th> <th data-bbox="687 271 858 376">Particulars</th> <th data-bbox="858 271 1010 376">Jurisdiction</th> <th data-bbox="1010 271 1121 376">Filing Date</th> <th data-bbox="1121 271 1235 376">Classes</th> </tr> </thead> <tbody> <tr> <td data-bbox="411 376 544 517">1834644</td> <td data-bbox="544 376 687 517">Registered</td> <td data-bbox="687 376 858 517">  </td> <td data-bbox="858 376 1010 517">Australia</td> <td data-bbox="1010 376 1121 517">28 March 2017</td> <td data-bbox="1121 376 1235 517">3, 5, 29, 31</td> </tr> </tbody> </table>	Number	Status	Particulars	Jurisdiction	Filing Date	Classes	1834644	Registered		Australia	28 March 2017	3, 5, 29, 31	<p>Section 3.11</p>
Number	Status	Particulars	Jurisdiction	Filing Date	Classes									
1834644	Registered		Australia	28 March 2017	3, 5, 29, 31									
<p><b>Where are the operations of APH located?</b></p>	<p>APH's principal place of business is located in Geelong, Victoria.</p>	<p>Section 3.5</p>												

## 1.2 Key Strengths

Topic	Summary	Further information
<p><b>What are APH’s key investment highlights?</b></p>	<p>The Directors are of the opinion that an investment in APH provides the following non-exhaustive list of key highlights:</p> <ul style="list-style-type: none"> <li>▪ <b>(Favourable regulatory and industry landscape):</b> Recent changes to FSANZ have led to the development of the nascent hemp as a food industry. The growing demand for sustainable hemp-based foods is an emerging trend in the food industry. With growing health awareness about the harmful effects of ingredients used in the food and beverage industry, the demand for sustainable food products is increasing at a fast pace. The hemp global industry is growing at a fast rate, and acceptance and use of hemp as an alternative food is gaining traction in a number of OECD countries.</li> <li>▪ <b>(Early mover advantage):</b> APH is amongst the first players in Australia to be established in the nascent hemp foods industry, and is well-positioned to be able to provide its hemp food products to the marketplace ahead of other potential competitors, supplying approximately 500 retailers with APH’s products.</li> <li>▪ <b>(Vertically integrated operations):</b> APH controls most aspects of the hemp grain production, from growing through to processing and packaging at its processing facility, which is one of the largest hemp processing facility in Australia.</li> <li>▪ <b>(Largest established hemp growing network in Australia):</b> APH has one of the largest established farmer and contract growing networks for hemp cultivation in Australia. APH has a significant number of established relationships with farmers across the country in addition to a number of expressions of interest from farmers wishing to grow hemp on the behalf of APH.</li> <li>▪ <b>(Exclusive rights to distribute and cultivate FINOLA® in Australia):</b> APH has the exclusive, royalty-free rights to purchase, cultivate and distribute the FINOLA® hemp strain in Australia. FINOLA® is one of the most popular hemp varieties, grown throughout Europe and North America.</li> <li>▪ <b>(Fully Licenced):</b> APH has all necessary regulatory approvals required to provide its hemp food product offerings to a growing Australian and New Zealand marketplace.</li> <li>▪ <b>(Highly experienced executive team with significant agriculture track record):</b> APH’s executive team have extensive experience in the agriculture sector.</li> </ul>	<p>Section 3.3</p>

### 1.3 Key risks

Topic	Summary	Further information
<b>Demand and market risk</b>	The sales potential of APH's products is still at a relatively early commercial stage. The ongoing and future demand for APH's products, in existing and target markets, is still being established and is uncertain. There is a risk that there may not be sufficient demand for APH's products for their sustainable commercial exploitation.	Section 5.2.1
<b>Early stage risk</b>	APH is at an early stage in development of its full business model in an industry that has recently undergone material regulatory changes and is evolving. As a result, investing in APH is speculative and involves significant risk.	Section 5.2.2
<b>Agricultural and cultivation risk</b>	<p>The APH Business is based on agricultural production and supply. As such, the APH Business is subject to the risks inherent in the agriculture industry. These risks include crop failures caused by insects, plant diseases, storm, fire, frost, flood, water salinity, pests, bird damage and force majeure events and in particular, irrigated land can be difficult to secure during times of low rainfall, especially in Australia.</p> <p>There are risks in identifying geographic locations that provide the best agronomic conditions for the cultivation of hemp on the magnitude of APH's scale, and selecting the most suitable varieties of hemp for applicable and geographical locations.</p> <p>These risks may be mitigated to some degree by proper management, but they still may impact growing time, the number of harvests or the yield generated from each harvest.</p> <p>With respect to how climate change may affect APH, higher temperatures could lead to less rain, which affects the growth of hemp seed. APH's ability to grow large amounts of hemp could be reduced if water sources are not located in this scenario.</p>	Section 5.2.3
<b>Counterparty Risk</b>	<p>APH's current ability to generate revenue is reliant on strategic arrangements with its supply chain partners. More specifically, APH relies on:</p> <ul style="list-style-type: none"> <li>▪ The purchase of hemp seed, including the importation of raw FINOLA® hemp seed into Australia from FINOLA Australia Pty Ltd (<b>FINOLA Australia</b>) (see Section 9.3.8 for more information on this arrangement).</li> <li>▪ The established farmer and contract growing networks for hemp cultivation grower network, but specifically its relationship with Red Agriculture Pty Ltd (<b>Red</b>) for the supply of hemp grain (see Section 9.3.11 for more detail on the RED supply agreement).</li> <li>▪ The other relationships APH has in relation to cold pressing, milling hemp seeds as well as its wholesale and retail distribution network.</li> </ul>	Section 5.2.4

Topic	Summary	Further information
<b>Regulatory and licensing risk</b>	<p>Due to the regulations surrounding cannabis products, legislative reversal in this area may pose a material risk of prohibiting the sale and production of hemp products. The likelihood of any legislative reform is currently unknown.</p> <p>Currently, APH has the permits required to operate the APH Business as described above and intends to seek additional permits, when necessary. APH needs to maintain those permits to continue operating. While the Directors have no reason to believe that APH will not be in a position to maintain its regulatory permits, any change to the regulatory systems in APH's markets that adversely impact on maintenance of APH's regulatory permits would materially adversely impact APH and its performance.</p>	Section 5.2.5
<b>Key personnel risk</b>	<p>APH's success depends to a significant extent on the ability, performance and experience of its Key Personnel.</p> <p>The loss of Key Personnel or an inability to recruit or retain suitable replacement or additional personnel may impact APH's ability to develop and implement its strategies, which may have an adverse effect on its future financial performance.</p>	Section 5.2.6
<b>Product liability risk</b>	<p>APH's hemp food businesses supply food products and APH intends to supply products comprised of hemp seed. As with all food products, there is a risk that the products sold by APH cause risk or injury to consumers.</p>	Section 5.2.7
<b>Commodity price risk</b>	<p>The performance of the APH Business may be subject to local and international commodity prices for hemp supply. Prices of agricultural commodities can fluctuate and are affected by a variety of regional and global factors that are beyond the control of APH.</p>	Section 5.2.8
<b>General risks</b>	<p>There are a number of other risks associated with the APH Business including, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ Workplace health and safety risk;</li> <li>▪ Competition risk;</li> <li>▪ Low price of Shares;</li> <li>▪ Low trading and liquidity in Shares;</li> <li>▪ Inability to pay dividends or make other distributions;</li> <li>▪ Possibility of force majeure events;</li> <li>▪ Insurance; and</li> <li>▪ Possibility of litigation.</li> </ul>	Section 5.3

## 1.4 Financials and dividend policy

Topic	Summary	Further information																																				
<b>What is the key financial information you need to know about the Company?</b>	<p>Set out at Section 4.6 is a summary of the Company's Pro Forma historical consolidated Statement of Financial Position as at 30 June 2019.</p> <p>Please refer to Section 4 for the Pro Forma Financial Information and Section 8 for the Investigating Accountant's Report.</p>	Section 4 and Section 8																																				
<b>What is the Dividend Policy of the Company?</b>	The Directors intend to use the Company's current cash reserves and any surplus cash flow to fund the Company's operations and activities, rather than distributing these funds as dividends. This policy will be reviewed when the Company starts generating net profit but there is no present intention to implement a dividend policy at any time in the foreseeable future.	Section 4.9																																				
<b>What is the Liquidity of the Shares in the Company following Completion?</b>	<p>Following Completion, the following restrictions will apply to Shares and Options:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #002060; color: white;">Escrow Position</th> <th style="background-color: #002060; color: white;">Restricted Securities<sup>1</sup></th> <th style="background-color: #002060; color: white;">Undiluted (%)<sup>2</sup></th> <th style="background-color: #002060; color: white;">Diluted (%)<sup>2</sup></th> </tr> </thead> <tbody> <tr> <td colspan="4" style="background-color: #e6f2ff;"><b>ASX Mandatory Escrow</b></td> </tr> <tr> <td>Total Shares escrowed for 12 months from date of issue</td> <td style="text-align: right;">441,405,828</td> <td style="text-align: center;">29.0%</td> <td style="text-align: center;">25.5%</td> </tr> <tr> <td>Total Options escrowed for 12 months from date of issue</td> <td style="text-align: right;">153,846,155</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">8.9%</td> </tr> <tr> <td>Total Shares escrowed for 24 months from Official Quotation</td> <td style="text-align: right;">105,000,000</td> <td style="text-align: center;">6.9%</td> <td style="text-align: center;">6.1%</td> </tr> <tr> <td>Total Options escrowed for 24 months from Official Quotation</td> <td style="text-align: right;">53,239,531</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">3.1%</td> </tr> <tr> <td colspan="4" style="background-color: #e6f2ff;"><b>Voluntary Escrow</b></td> </tr> <tr> <td>Total Shares escrowed for 24 months from date of issue<sup>3</sup></td> <td style="text-align: right;">441,405,828</td> <td style="text-align: center;">29.0%</td> <td style="text-align: center;">25.5%</td> </tr> <tr> <td>Total Options escrowed for 24 months from date of issue<sup>4</sup></td> <td style="text-align: right;">153,846,154</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">8.9%</td> </tr> </tbody> </table> <p><b>Notes:</b></p> <p><sup>1</sup> All securities are set out in this table on a pre-Consolidation basis.</p> <p><sup>2</sup> Percentage of security holdings is calculated based on the assumption that all the Deferred Consideration Shares will be issued.</p> <p><sup>3</sup> Notwithstanding the 435,000,000 Consideration Shares to be issued to the Sellers under Section 7.4 as well as the 6,405,828 Shares to be issued as part of a debt conversion being mandatorily escrowed by ASX for 12 months from the date of issue, these Shares are subject to voluntary escrow for a period of 24 months from the date of Reconciliation.</p> <p><sup>4</sup> Notwithstanding the Consideration Options to be issued to the Sellers under Section 7.4 to be mandatorily escrowed by ASX for 12 months from</p>	Escrow Position	Restricted Securities <sup>1</sup>	Undiluted (%) <sup>2</sup>	Diluted (%) <sup>2</sup>	<b>ASX Mandatory Escrow</b>				Total Shares escrowed for 12 months from date of issue	441,405,828	29.0%	25.5%	Total Options escrowed for 12 months from date of issue	153,846,155	N/A	8.9%	Total Shares escrowed for 24 months from Official Quotation	105,000,000	6.9%	6.1%	Total Options escrowed for 24 months from Official Quotation	53,239,531	N/A	3.1%	<b>Voluntary Escrow</b>				Total Shares escrowed for 24 months from date of issue <sup>3</sup>	441,405,828	29.0%	25.5%	Total Options escrowed for 24 months from date of issue <sup>4</sup>	153,846,154	N/A	8.9%	Section 7.23
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Topic	Summary	Further information
	<p><i>the date of issue, the Consideration Options are subject to voluntary escrow for a period of 24 months from the date of Recompliance.</i></p> <p>These Shareholders' escrow position may limit the liquidity of the market for the Shares during this escrow period.</p> <p>The total number of actual quoted Shares at Recompliance is 974,723,621 Shares (on a pre-Consolidation basis) or 48,736,181 Shares (on a post-Consolidation basis).</p>	

## 1.5 Directors and key management

Topic	Summary	Further information
<p><b>Who are the Directors of the Company?</b></p>	<p>Summaries of the background and experience of each of the Proposed Directors is set out below.</p> <p><b>Charles Mann</b> <b>Executive Director</b></p> <p>Charles is a co-founder of APH, and is focussed on APH’s commercialisation and growth strategy, whilst navigating the regulatory element of the emerging hemp industry.</p> <p>Charles is the CEO of APH.</p> <p>Charles has significant farming experience, particularly in the sheep, cattle, dairy, poppy and hemp industries.</p> <p>Charles maintains significant holdings in businesses that are successfully operating in the agricultural sector. Prior to establishing his own operations in the agricultural industry, Charles had extensive experience in importing, licensing, distribution and logistics within the framework of the Department of Transport and Regional Services for Vectrix Australia Pty Ltd.</p> <p><b>James Hood</b> <b>Executive Director</b></p> <p>James is a co-founder of APH, with substantial experience in production facility development and an extensive network of farmers, which has positioned APH well to produce a complete vertically integrated product line.</p> <p>James is the COO of APH.</p> <p>Prior to APH, James had roles in digital software applications and marketing.</p> <p><b>Cameron Petricevic</b> <b>Non-Executive Director and Chair</b></p> <p>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 &amp; acquisitions, and portfolio management. Cameron is a director at Kentgrove Equity Partners Pty Ltd, an Associate of Kentgrove Capital Pty Ltd.</p> <p>Cameron is a qualified Actuary (AIAA) and holds a Bachelor of Commerce (Actuarial) and a Bachelor of Engineering (Electrical) from the University of Melbourne, with First Class Honours. 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.</p>	<p>Section 6.1</p>

Topic	Summary	Further information
	<p>Cameron is a Director of several private and public companies. He has been a director of Alchemia since June 2018 and currently serves as the Chair.</p> <p><b>Pauline Gately</b> <b>Non-Executive, Independent Director</b></p> <p>Pauline has more than 20 years' experience in international investment banking, specialising in the Asian region, where she held senior positions with CitiBank, BNP International, Merrill Lynch, and BZW Asia in the areas of research, economics and investment strategy. Pauline was employed at Merrill Lynch &amp; Co Inc., in the research division.</p> <p>Pauline has been a non-executive director of Ardiden Limited (ASX: ADV) since 14 August 2018. Prior to this position, Pauline served as a non-executive and subsequently executive chairperson of Alliance Mineral Assets Limited (ASX: A40) from 2014 to 2018. She serves as a director of Beaverbrook Ltd and Breast Cancer Care WA.</p> <p>Pauline obtained an honours degree in Economics from Strathclyde University, after which she obtained a Graduate Diploma in Accounting from Glasgow University. She is a graduate and member of the Australian Institute of Company Directors.</p> <p>Pauline will chair the Audit and Risk Committee and the Remuneration and Nomination Committee.</p>	
<p><b>Who are the key members of the Company's management and development teams?</b></p>	<p>The Company's management and development teams comprise:</p> <p><b>Charles Mann</b> <b>CEO</b></p> <p>See above.</p> <p><b>James Hood</b> <b>COO</b></p> <p>See above.</p> <p><b>Mitch Costin</b> <b>Operations and Agriculture Manager</b></p> <p>Mitch joined APH in March 2018 as Operations &amp; Agricultural Relations Manager.</p> <p>Mitch has 8 years of experience in logistics and operations at a furniture, showroom and venue hire company. Prior to that Mitch had significant experience in the agricultural industry and now specialises in seed and grain logistics, agronomic relations and production and operation efficiencies for APH.</p>	<p>Section 6.3</p>

Topic	Summary	Further information
	<p><b>Raelene Wilson</b> <b>PR and Marketing Manager</b></p> <p>Raelene joined APH in August 2019 as PR and Marketing Manager.</p> <p>Raelene has nearly 15 years of experience in marketing and event management, with a particular focus at generating core brand and campaign assets including content creation for videos, podcasts, blogs, social media and digital channels.</p> <p>Prior to APH, Raelene has worked with significant multi-national corporations and brands providing her marketing, sponsorship and event management expertise.</p>	
<p><b>Who are the members of APH’s Advisory Board?</b></p>	<p>As at the Prospectus Date, APH has not officially appointed an advisory board member. APH will endeavour to expand the advisory board as it continues to grow and expand.</p>	<p>N/A</p>

## 1.6 Significant interests of key people and stakeholders

Topic	Summary	Further information																												
<b>What will be the interests in the Company following Completion?</b>	<p>As at the Prospectus Date, the Company has 324,723,621 Shares on issue.</p> <p>After Completion, the Company's fully diluted share capital will be held in the proportions as set out in the "Key Offer Details" Section of this Prospectus.</p>	"Key Offer Details" and Section 7.11																												
<b>Following Completion, will the Company have any Options on issue?</b>	<p>The Company will have the following unlisted Options on issue:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #002060; color: white;">Recipient</th> <th style="background-color: #002060; color: white;">Securities (on a pre-Consolidation basis)</th> <th style="background-color: #002060; color: white;">Percentage diluted<sup>1</sup> (%)</th> </tr> </thead> <tbody> <tr> <td>Consideration Options<sup>2, 3</sup></td> <td style="text-align: right;">184,268,743</td> <td style="text-align: right;">10.7%</td> </tr> <tr> <td>Options issued to Corporate Advisor<sup>4</sup></td> <td style="text-align: right;">22,816,942</td> <td style="text-align: right;">1.3%</td> </tr> <tr> <td><b>TOTAL number of Options on issue at Reconciliation</b></td> <td style="text-align: right;"><b>207,085,685</b></td> <td style="text-align: right;"><b>12.0%</b></td> </tr> </tbody> </table> <p><b>Notes:</b></p> <p><sup>1</sup> Percentage of security holdings is calculated based on the assumption that all of the Deferred Consideration Shares will be issued.</p> <p><sup>2</sup> The total number of Consideration Options to be issued to the Sellers gives the right to acquire A\$2,000,000 worth of Shares at a strike price of 30% above the RTO Price, with a 3-year expiry term (commencing from the date of Reconciliation and subject to escrow for 24 months from Official Quotation).</p> <p><sup>3</sup> Consideration Options includes the 153,846,154 Options to be issued to the Sellers (or their nominees) as well as the 30,422,589 Options to be issued to the M&amp;A Advisor. For more information on the terms of the Options, please see Section 9.3.3 for which this table assumes that those options in APH have been fully exercised as at the date of Reconciliation (subject to escrow for 24 months from Official Quotation).</p> <p><sup>4</sup> Please see Section 9.3.9 for more information on the Options to be issued to the Corporate Advisor.</p>	Recipient	Securities (on a pre-Consolidation basis)	Percentage diluted <sup>1</sup> (%)	Consideration Options <sup>2, 3</sup>	184,268,743	10.7%	Options issued to Corporate Advisor <sup>4</sup>	22,816,942	1.3%	<b>TOTAL number of Options on issue at Reconciliation</b>	<b>207,085,685</b>	<b>12.0%</b>	Section 7.7																
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Options issued to Corporate Advisor <sup>4</sup>	22,816,942	1.3%																												
<b>TOTAL number of Options on issue at Reconciliation</b>	<b>207,085,685</b>	<b>12.0%</b>																												
<b>Are there any significant interests or benefits payable to Directors or Proposed Directors or other related parties following Completion?</b>	<p>The relevant interests held by Directors and Proposed Directors connected with the Company following Completion are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #002060; color: white;">Parties with Relevant Interest</th> <th style="background-color: #002060; color: white;">Shares</th> <th style="background-color: #002060; color: white;">Options</th> <th style="background-color: #002060; color: white;">Total Securities</th> <th style="background-color: #002060; color: white;">Deferred Consideration Shares</th> <th style="background-color: #002060; color: white;">Voting Power (un - diluted)<sup>6</sup></th> <th style="background-color: #002060; color: white;">Voting Power (diluted)<sup>6</sup></th> </tr> </thead> <tbody> <tr> <td>Charles Mann</td> <td style="text-align: right;">231,000,000</td> <td style="text-align: right;">28,384,615</td> <td style="text-align: right;">259,384,615</td> <td style="text-align: right;">69,300,000</td> <td style="text-align: right;">15.2%</td> <td style="text-align: right;">15.0%</td> </tr> <tr> <td>James Hood</td> <td style="text-align: right;">152,000,000</td> <td style="text-align: right;">107,384,615</td> <td style="text-align: right;">259,384,615</td> <td style="text-align: right;">45,600,000</td> <td style="text-align: right;">10.0%</td> <td style="text-align: right;">15.0%</td> </tr> <tr> <td>Cameron Petricevic<sup>1, 2</sup></td> <td style="text-align: right;">99,999,996</td> <td style="text-align: right;">24,338,071</td> <td style="text-align: right;">124,338,067</td> <td style="text-align: center;">NIL</td> <td style="text-align: right;">6.6%</td> <td style="text-align: right;">7.2%</td> </tr> </tbody> </table>	Parties with Relevant Interest	Shares	Options	Total Securities	Deferred Consideration Shares	Voting Power (un - diluted) <sup>6</sup>	Voting Power (diluted) <sup>6</sup>	Charles Mann	231,000,000	28,384,615	259,384,615	69,300,000	15.2%	15.0%	James Hood	152,000,000	107,384,615	259,384,615	45,600,000	10.0%	15.0%	Cameron Petricevic <sup>1, 2</sup>	99,999,996	24,338,071	124,338,067	NIL	6.6%	7.2%	Section 6.9
Parties with Relevant Interest	Shares	Options	Total Securities	Deferred Consideration Shares	Voting Power (un - diluted) <sup>6</sup>	Voting Power (diluted) <sup>6</sup>																								
Charles Mann	231,000,000	28,384,615	259,384,615	69,300,000	15.2%	15.0%																								
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Cameron Petricevic <sup>1, 2</sup>	99,999,996	24,338,071	124,338,067	NIL	6.6%	7.2%																								

	Lynden Polonsky <sup>3</sup>	7,500,000	NIL	7,500,000	NIL	0.5%	0.4%	
	Melanie Leydin <sup>4</sup>	2,500,000	NIL	2,500,000	NIL	0.2%	0.1%	
	Pauline Gately <sup>5</sup>	1,000,000	NIL	1,000,000	NIL	0.1%	0.1%	
	<b>TOTAL</b>	<b>493,999,996</b>	<b>160,107,301</b>	<b>654,107,297</b>	<b>114,900,000</b>	<b>32.6%</b>	<b>37.8%</b>	
	<p><b>Notes:</b></p> <p><sup>1</sup> Consideration Shares and Consideration Options that are to be issued to the M&amp;A Advisor (of which, Cameron Petricevic is a related party) are set out in Section 7.</p> <p><sup>2</sup> Cameron Petricevic (through his nominee) intends to acquire up to A\$319,300 worth of Shares at the RTO Price as participation in the Offer. For more information on Cameron Petricevic's beneficial holding, please see Sections 6.9 and 7.12.</p> <p><sup>3</sup> Lynden Polonsky intends to acquire up to A\$75,000 worth of Shares at the RTO Price as participation in the Offer. For more information, please see Section 7.12.</p> <p><sup>4</sup> Melanie Leydin intends to acquire up to A\$25,000 worth of Shares at the RTO Price as participation in the Offer. For more information, please see Section 7.12.</p> <p><sup>5</sup> Pauline Gately intends to acquire up to A\$10,000 worth of Shares at the RTO Price as participation in the Offer. For more information, please see Section 7.12.</p> <p><sup>6</sup> Percentage of security holdings is calculated based on the assumption that all of the Deferred Consideration Shares will be issued.</p>							
<b>What are the restrictions on disposals of securities following Completion?</b>	<p>The total number of Shares on issue following Completion will be 1,371,129,449 (on a pre-Consolidation basis). The total number of Shares excludes the Deferred Consideration Shares, which amounts to 130,500,000.</p> <p>Following Completion, the total amount of Shares restricted under voluntary escrow (for 24 months from Official Quotation) and pursuant to the ASX Listing Rules will be 540,000,000 Shares (on a pre-Consolidation basis).</p> <p>In addition, the Options to be issued to the M&amp;A Advisor and the Corporate Advisor equating to 53,239,531 will also be subject to ASX imposed escrow for a period of up to 24 months following Official Quotation.</p>							Section 7.23

## 1.7 Overview of the Offer

Topic	Summary	Further information
<b>What is the Offer?</b>	<p>This Prospectus provides investors with the opportunity to participate in the Offer of up to 570,000,000 New Shares at the RTO Price (on a pre-Consolidation basis) to raise A\$5,700,000 (Offer).</p> <p>The Shares offered under this Prospectus will rank equally with the existing Shares on issue.</p> <p>On Completion, the Company will have those Shares and Options on issue as set out in the “Key Offer Details” section of this Prospectus.</p>	Section 7 and Section 9
<b>Are there any other Offers?</b>	<p>The Offers, include:</p> <ul style="list-style-type: none"> <li>▪ the Offer;</li> <li>▪ the Convertible Offer; and</li> <li>▪ the Sellers Offer.</li> </ul> <p>The Offers each have certain restrictions with respect to eligibility as detailed in Section 7.</p>	Section 7 and Section 9
<b>What is the purpose of the Offer?</b>	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>▪ provide additional working capital and capital investment for APH in order to accelerate the growth of APH; and</li> <li>▪ achieve re-admission to the ASX to broaden the shareholder base and provide a liquid market for its Shares.</li> </ul>	Section 7.5
<b>How will the proceeds of the Offer be used?</b>	<p>The proposed use of funds raised from the Offer include:</p> <ul style="list-style-type: none"> <li>▪ funding the acquisition of hemp seed and the repurchase of finished hemp grain product from APH’s grower network;</li> <li>▪ acquiring new equipment by APH for (amongst other things) de-hulling efficiencies and sorting finished hemp grain;</li> <li>▪ funding the development of APH’s products and potential other products that it may develop as part of its business model;</li> <li>▪ meeting the ongoing administrative costs of APH and provide working capital; and</li> <li>▪ funding the expenses of the Offer and the associated costs of listing the Company on ASX.</li> </ul> <p>No funds will be raised from the Sellers Offer or the Convertible Offer.</p>	Section 7.6
<b>What is the Offer price per Share?</b>	\$0.20 (on a post-Consolidation basis) being the RTO Price.	Section 7.20

Topic	Summary	Further information
<b>Is the Offer underwritten?</b>	The Offer is not underwritten.	Section 7.20
<b>Will the Shares be quoted?</b>	<p>The Company intends to re-apply to the Official List for Official Quotation of its Shares under the code “APH”.</p> <p>Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.</p>	Section 7.20
<b>Will the Options be quoted?</b>	The Company does not intend to apply for Official Quotation of its Options.	N/A
<b>What is the allocation policy?</b>	The allocation of New Shares under the Offer will be determined by agreement between the Company and the Lead Manager.	Section 7.20
<b>Will the Company accept over-subscriptions?</b>	No over-subscriptions will be accepted.	Section 7.20
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 7.20
<b>What are the tax implications of investing in the Shares?</b>	Section 9.4.2 provides a general summary of the potential Australian tax implications of participating in the Offer. However, the tax consequences of participation will depend on the individual investor’s circumstances and, as such, Applicants should obtain their own tax advice before subscribing for Shares pursuant to the Offer.	Section 9.4.2

Topic	Summary	Further information
<b>When will I receive confirmation that my Application has been successful?</b>	It is expected that initial holding statements will be mailed on or about Tuesday, 8 October 2019 by standard post as soon as possible after the close of the Offer.	Key Offer Details, Section 7.20
<b>How can I apply?</b>	Applications for Shares under the Offer may only be made on an Application Form attached to or accompanying this Prospectus, or via the relevant electronic Application Form attached to the electronic version of this Prospectus, available at <a href="http://www.alchemia.net.au">www.alchemia.net.au</a> .	Section 7.16
<b>When are the Shares expected to commence trading?</b>	<p>Please refer to the indicative timetable in the Key Offer Details section for the key dates of the Offer.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares.</p> <p>Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of allocation from the Share Registry, by a broker or otherwise.</p>	Key Offer Details
<b>Can the Offer be withdrawn?</b>	<p>Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.</p>	Section 7.17
<b>Why are the figures in this Prospectus on a pre-Consolidation basis?</b>	<p>For the purposes of comparisons in this Prospectus, the majority of the figures in this Prospectus are on a pre-Consolidation basis.</p> <p>Notwithstanding this, if you fill out the Application Form to apply for New Shares and are allocated a parcel of New Shares, those Shares will be issued on a post-Consolidation basis. Note</p>	Section 7.19

Topic	Summary	Further information
	that all trading of Shares will take place on a post-Consolidation basis.	
<b>Where can I find out more information about this Prospectus or the Offer?</b>	<p>You can obtain further information from:</p> <ul style="list-style-type: none"> <li>▪ your accountant, solicitor, stockbroker or other independent professional financial adviser;</li> <li>▪ from the Share Registry, Link Market Services Limited on 1300 554 474; or</li> <li>▪ from the Company by contacting the Company Secretary, Melanie Leydin on +61 3 9692 7222, or at <a href="mailto:mleydin@leydinfreyer.com.au">mleydin@leydinfreyer.com.au</a>.</li> </ul>	N/A

## **2. Industry Overview**

### **2.1 What is hemp?**

Hemp, also called industrial hemp, refers to the non-psychoactive varieties of the genus of flowering plant, *cannabis sativa* L.. Unlike marijuana, hemp contains negligible amounts of THC, the chemical in marijuana that produces psychoactive results. Only the leaves of the plant and the flower hold the THC chemical, therefore, Hemp seeds contain negligible amounts of THC (usually less than 0.35%).

### **2.2 What is the difference between hemp and marijuana?**

While both hemp and marijuana come from the plant *cannabis sativa* L., they are genetically and chemically distinct from one another.

Marijuana is used to describe a cannabis plant that is predominantly produced for the cannabinoids found in the resin glands (or 'trichomes'), which react with our bodies' receptors to produce numerous psychotropic and therapeutic effects. The main cannabinoids produced from the leaves and buds of the cannabis plant are THC and CBD. Both CBD and THC are believed to have medicinal benefits, but THC has psychoactive properties, whilst CBD is non-psychoactive.

In contrast, hemp is used to describe a *cannabis sativa* L. plant that holds only trace amounts of THC (usually less than 0.35%). While the legal definition has since been legitimised under the amendments to the FSANZ (which outlines different maximum percentages for hemp seed, oils, beverages and powders), "hemp" has generally been used to describe non-intoxicating cannabis that is harvested for the industrial use of its derived products.

Marijuana and hemp are therefore classified and distinct from one another due to the levels of naturally occurring THC that they contain.

### **2.3 What is hemp used for?**

Food products made from hemp seeds are usually consumed as de-hulled seeds, hemp seed oil, protein powder or flour.

Hemp seeds are an alternative source of protein and fibre. They contain essential amino acids, which consumers may choose to substitute or compliment their diet as a replacement or a compliment to animal-based products to ensure they consume sufficient protein.

Hemp seeds are also believed to be a good source of essential nutrients such as protein, fatty acids like Omega 3, 6 and 9, fibre, antioxidants, vitamins and minerals, without an excess of calories, starches and sugars. As such, they are typically sold as a dietary supplement, and are considered a "superfood".

Hemp foods are believed to provide many health benefits, including (without limitation) for the immune system, brain, heart, blood, lungs, joints, and bones. These benefits mean hemp may help protect against (amongst other things) anxiety, depression, attention disorders, strokes, heart disease, migraines, and high blood pressure.

Hemp seed is extremely versatile. It has a variety of commercial and industrial uses including rope, textiles, clothing, shoes, food, paper, bioplastics, insulation, and biofuel, to name a few potential use cases.

## 2.4 Ecological Friendliness of Hemp

Hemp, as a crop, offers significant environmental and sustainability advantages over many other crops.

Cannabis sativa L. is claimed to be materially less "ecotoxic" compared to many other crops. The use of pesticides and fungicides on hemp is typically limited and it is relatively resistant to most pests. Its rapid growth cycle means hemp crops require less herbicide than other crops.

This means hemp is ideal for sustainable farming and complements the increasing market in sustainable and environmentally conscious crop production.

## 2.5 Regulatory Landscape Overview

### 2.5.1 Federal Approval

On 28 April 2017, following consideration by the Australia and New Zealand Ministerial Forum on Food Regulation, the FSANZ was amended to permit low-THC hemp hulled seeds to be sold (or used) as an ingredient in food.

The Australian hemp food industry is regulated by the FSANZ, an independent statutory agency which develops standards that apply to the Australian and New Zealand food industries. In Australia, the FSANZ is enforced by the Commonwealth Department of Agriculture and the food agencies of each state and territory.

Changes to the FSANZ commenced on 12 November 2017 and allow the sale of hemp food products. Since then, the hemp industry has grown rapidly. It is now typical to see hemp seed foods in major supermarkets and stores across Australia.

Under the FSANZ Code, cannabis sativa seeds may now be sold as a food or an ingredient, including in food where:

- the seeds are low-THC (the leaves and flowering heads of the cannabis sativa do not contain more than 1% THC);
- the seeds don't contain over 5 mg/kg of total THC;
- if the food is for retail sale the seeds must be non-viable (for growing purposes) and hulled; and
- the only cannabinoids in or on the seeds are naturally present.

The FSANZ Code specifies the following may be sold as food or as an ingredient in food:

- oil extracted from seeds of low-THC cannabis sativa where the oil doesn't contain more than 10 mg/kg of total THC;
- a beverage derived from seeds of low-THC cannabis sativa where the beverage doesn't contain more than 0.2 mg/kg of total THC; and
- any other product that is extracted or derived from seeds of low-THC cannabis sativa and doesn't contain more than 5 mg/kg of total THC.

The Department of Health amended controls under the *Customs (Prohibited Imports) Regulations 1956* Act to allow specific hemp seed and fibre products to be imported without requiring a licence and permit under the import regulation.

## 2.6 Territorial Approval

### 2.6.1 Commonwealth Criminal Code

Hemp, being of the genus cannabis, is a controlled plant, controlled drug, and border-controlled drug/plant under the *Criminal Code Regulations 2019*. It is therefore an offence to cultivate, sell, manufacture, traffic, possess or import it under the *Commonwealth Criminal Code Act 1995* (Criminal Code) (Part 9.1).

The Criminal Code states that sale or cultivation are not offences if they're permitted under another law of the Commonwealth of Australia, or a State or Territory where the activities take place (Subdivision 313.1 and subsection 10.5 of the Criminal Code).

### 2.6.2 Victoria

The hemp industry is regulated in Victoria by the *Drugs, Poisons and Controlled Substances Act 1981* (Vic) (**Act**).

A license is required in Victoria to authorise the cultivation and processing of low-THC cannabis (industrial hemp) and industrial hemp seed for non-therapeutic (non-medicinal) purposes. Licenses for industrial hemp are issued by Agriculture Victoria.

Under the legislation, low-THC cannabis means cannabis that has leaves and flowering heads containing not more than 0.35 per cent of THC. A person may be authorised under the Act for commercial or research purposes relating to non-therapeutic use, to:

- (a) possess, process, sell or supply cannabis seed which has been harvested from low-THC cannabis;
- (b) cultivate and possess cannabis from seed which has been harvested from low-THC cannabis; or
- (c) possess, process, sell or supply cannabis which:
  - (i) is substantially free of leaves and flowering heads; and
  - (ii) does not contain THC in excess of 0.1 per cent.

During every harvest, Department of Environment and Primary Industries officers take a sample of buds for testing to measure levels of the active compound THC and only once the results are in (testing can often take a number of weeks to complete) are growers allowed to sell or process hemp seeds.

A third party that processes hemp in Victoria must hold an authority when that third party is supplied hemp.

### 2.6.3 Other states and territories

Other states and territories also regulate the hemp industry. The level of THC in what is deemed low-THC hemp under the relevant legislation varies from state to state.

- (a) New South Wales

The *Hemp Industry Act 2008* (NSW) and the *Hemp Industry Regulation 2016* (NSW) regulate hemp growing in New South Wales. Licences can be granted to farmers growing low-THC hemp for fibre, seed, and oil production, and for cultivation/ supply of low-THC hemp for commercial production or use in a manufacturing process.

(b) Queensland

The commercial products of hemp are regulated by the *Drugs Misuse Act 1986* (Qld) and the *Drugs Misuse Regulation 1987* (Qld) in Queensland. In Queensland, a licence may be obtained for growing hemp. Hemp plants must be grown from seed certified to produce plants with no more than 0.5% THC concentration.

(c) Tasmania

In Tasmania, the hemp industry is regulated by the *Industrial Hemp Act 2015* (Tas) and the *Industrial Hemp Regulations 2016* (Tas). Licences are available for the possession, cultivation or supply of hemp for commercial production, use in any manufacturing process, food production or scientific research.

(d) South Australia

The hemp industry is regulated by the *Industrial Hemp Act 2017* (SA) in South Australia. The legislation authorises and regulates the cultivation of industrial hemp. Certain licences are available.

(e) Western Australia

The hemp industry is regulated by the *Industrial Hemp Act 2004* (WA) in Western Australia. Licences are available for certain companies or individuals to cultivate, harvest and process industrial hemp.

(f) Australian Capital Territory

The hemp industry is regulated by the *Hemp Fibre Industry Facilitation Act 2004* (ACT) in the ACT. The legislation concerns the cultivation of hemp for certain commercial uses. Certain licences are available.

(g) Northern Territory

The hemp industry will be regulated by the *Hemp Industry Act 2019* (NT) (the Bill of which was passed on 8 August 2019) in Northern Territory, once Hemp Industry Regulations are complete. Licences will be available for lawful possession, cultivation, processing or supply of industrial hemp for commercial production, including food.

## 2.7 Market for Hemp Derived Products

As hemp becomes more widely legalised and accepted around the world, consumers will be demanding more of these products. Currently, the international market for hemp foods is estimated at \$1 billion annually, and demand for Australian hemp foods will likely increase significantly in the next few years.

According to the latest market research report released by Technavio, the global hemp-based food market is expected to accelerate at a Compound Annual Growth Rate (CAGR) of over 24% during the forecast period (2017-2027). The growing vegan population and increasing cases of celiac disease are key factors triggering the growth of the market.

The global plant-based protein supplements market was estimated at USD 4.18 billion in 2017 and is projected to grow at a CAGR of 8.1% during the forecast period from 2018 to 2025.

The growing demand for sustainable hemp-based foods is an emerging trend in the food industry. With growing health awareness about the harmful effects of ingredients used in the food and beverage industry, the demand for sustainable food products is increasing at a fast pace.

## **2.8 Growth drivers**

Growth in demand for hemp food products is expected to be driven by the following factors:

### **2.8.1 FSANZ**

On 12 November 2017, hemp seeds and seed products became lawful for use and sale in food in Australia. This now permits the development and production of hemp seed foods and hemp dietary supplements in Australia.

### **2.8.2 Health benefits and changing consumer preferences**

There is rising consumer awareness of the benefits of hemp as a “superfood”. In addition to the increased awareness of the negative health and environmental effects of excessive animal-based product consumption, many consumers have shifted towards plant-based diets and increased consumption of plant-based protein products.

Consumers are increasingly choosing non-animal sources of protein. Delicious Magazine reported in February 2018 that more than two million Australians are now ‘meat-free’. Data from Google Trends shows that Australians are more interested in learning about a vegan diet than they are about vegetarian, Paleo, gluten-free or sugar-free diets. This growing interest in food ethics, sustainability and health are contributors to the rise in plant-based lifestyles. As such, hemp has the potential to tap into these potential consumer groups by offering a better alternative to traditional plant-based foods.

### **2.8.3 Environment and sustainability**

Hemp's credentials as a sustainable crop are increasing its popularity with contemporary consumers who wish to support environmentally sustainable and ethical industries and products.

## **2.9 Competitive Landscape**

Despite its different additional qualities, APH competes in Australia with (amongst other things) suppliers of plant-based protein and traditional protein producers, as hemp seeds are an alternative source of high-quality protein.

The Australian hemp food market is in the early stages of development, having been legalised by the FSANZ in November 2017. Accordingly, the market and its players are not yet well-defined, and the industry is still building local expertise.

APH is one of the few vertically integrated providers of hemp food in Australia. There are several other growers, processors and/or distributors of hemp products based in Australia.

### 3. Company Overview

#### 3.1 Background to Alchemia

Alchemia is a publicly listed company with no ongoing business activities. Alchemia was founded in 1995 and previously operated as a biotechnology company, developing oncology products and technology. The development of this intellectual property (and related operations) ceased following trial failures in October 2014 and Alchemia has been looking for alternative assets since then. None of the original Board or management (involved with Alchemia's past operations as a biotechnology company) remain with ACL today.

#### 3.2 Acquisition of Australian Primary Hemp Pty Ltd

On 21 June 2019, the Company announced that it had executed the Share Sale Agreement with the Sellers pursuant to which the Company will acquire 100% of the share capital of APH, being the Sale Shares and, in consideration, will issue 500,000,000 Shares (being, **Consideration Shares**) and 184,268,743 Options (being, **Consideration Options**) to persons (including the M&A Advisor) as set out in this Prospectus (**Acquisition**) subject to escrow restrictions as set out in Section 7.23.

On Completion, the Company will issue 70% of the Consideration Shares (excluding the Consideration Shares to be issued to the M&A Advisor, meaning the Company will issue 100% of the Consideration Shares of the M&A Advisor (being 65,000,000 Shares)), with the remaining 30% of the Consideration Shares (**Deferred Consideration Shares**) being withheld from being issued following a 12 month period commencing on the date the Company is re-admitted to the Official List (**Deferred Period**), for the purposes of any warranty and/or indemnity claim made by the Company under the Share Sale Agreement.

#### 3.3 Key Investment Highlights

The Directors are of the opinion that an investment in APH provides the following non-exhaustive list of key highlights:

- **(Favourable regulatory and industry landscape):** Recent changes to FSANZ have led to the development of the nascent hemp as a food industry.

The growing demand for sustainable hemp-based foods is an emerging trend in the food industry. With growing health awareness about the harmful effects of ingredients used in the food and beverage industry, the demand for sustainable food products is increasing at a fast pace. The hemp global industry is growing at a fast rate, and acceptance and use of hemp as an alternative food is gaining traction in a number of OECD countries.

(See Section 2.5.1 for more detail.)

- **(Early mover advantage):** APH is amongst the first players in Australia to be established in the nascent hemp foods industry, and is well-positioned to be able to provide its hemp food products to the marketplace ahead of other potential competitors, supplying approximately 500 retailers with APH's products.

(See Section 3.4 for more detail.)

- **(Vertically integrated operations):** APH controls most aspects of the hemp grain production, from growing through to processing and packaging at its processing facility, which is one of the largest hemp processing facility in Australia.

(See Section 3.6 for more detail.)

- **(Range of product in market):** APH have a range of their own branded product already in market generating revenue.  
(See Section 3.7 for more detail.)
- **(Largest established hemp growing network in Australia):** APH has one of the largest established farmer and contract growing networks for hemp cultivation in Australia. APH has a significant number of established relationships with farmers across the country in addition to a number of expressions of interest from farmers wishing to grow hemp on the behalf of APH.  
(See Section 3.6.2 for more detail.)
- **(Exclusive rights to distribute and cultivate FINOLA® in Australia):** APH has the exclusive, royalty-free rights to purchase, cultivate and distribute the FINOLA® hemp strain in Australia. FINOLA® is one of the most popular hemp varieties, grown throughout Europe and North America.  
(See Section 9.3.10 for more detail.)
- **(Fully Licenced):** APH has all necessary regulatory approvals required to provide its hemp food product offerings to a growing Australian and New Zealand marketplace.  
(See Section 0 for more detail.)
- **(Highly experienced executive team with significant agriculture track record):** APH's executive team have extensive experience in the agriculture sector.  
(See Section 6.1 for more detail.)

### 3.4 Background to APH

APH's founders first began researching alternative proteins in 2012. After numerous research and development efforts, APH launched in 2016 with a multi-layered approach to:

- establish a network of farmers to grow the hemp seed under contract and produce hemp grain;
- purchase FINOLA® hemp seed under an exclusive supply agreement in Australia (and other hemp varieties non-exclusively that are suited to the Australian climate);
- establish Australia's largest hemp facility in Victoria, to process and package hemp grain; and
- produce and sell hemp including their own branded hemp products.

### 3.5 Overview of APH

APH is a vertically integrated business that produces, manufactures and distributes a range of hemp food products under the APH brand, to retail, wholesale and white label customers in Australia. APH engages in hemp growing and production services as well as handling in all areas of the hemp value chain, encompassing; hemp seed selection, farming, processing, packaging as well as distribution and sale of bulk and retail edible products. APH primarily operates out of its facility in Victoria (Geelong).

APH purchases hemp seed (some varieties of which is exclusive to APH) to supply to its vast farmer network, who cultivate and harvest the hemp seed on behalf of APH. APH purchases

the cultivated hemp seeds (referred to as hemp grain) under contract from their network of growers to process for sale.

APH owns processing infrastructure, including de-hulling equipment, and occasionally partners with third parties for additional value-add processing. APH supply bulk product, as well as their own private-labelled products, of hemp oil, hemp seed, and hemp-focused products (including protein and fibre).



Figure 1: APH's processing facility in Geelong, Victoria



Figure 2: APH's de-hulling and sorting machine

### **3.6 APH's Business Model**

#### **3.6.1 Part 1: Purchase of hemp seed**

APH imports raw FINOLA® hemp seeds, predominantly from Canada and Finland. APH is the exclusive supplier of FINOLA® in Australia (see Section 3.12 for more detail on FINOLA® and Section 9.3.10 for more detail on APH's exclusive rights to FINOLA® in Australia).

APH also purchases a variety of other hemp seeds from a number of sources in Australia, New Zealand, France and Canada (some of which are exclusive to APH in Australia).

APH has strong commercial relationships internationally, and is able to connect with notable international plant breeders that produce globally recognised pedigree hemp seed varieties which are ideal for growing in certain Australian territories.

#### **3.6.2 Part 2: Cultivation and Production**

APH on-sells the hemp seeds to its vast network of farmers across Australia (or occasionally allow its network of farmers to purchase non-FINOLA® varieties of seed from other sources) who grow the hemp seeds under contract on APH's behalf. One such grower is RED Agriculture Pty Ltd (see Section 9.3.11 for more detail on the RED supply agreement). This network of growers is managed directly by APH or through other contracted third parties. Whether managed directly, or via third parties, APH purchases the hemp grain that has been grown by these contracted growers.

The 2019 season is the first season that FINOLA® will be cultivated by APH (alongside its other non-FINOLA® varieties).

APH has significant knowledge of the agriculture industry, significant cultivation experience, and collaborations with several well-established Australian agronomy groups, which APH leverages to assist growers in their vast farmer network to produce the highest possible crop yields.

Contracted growers complete their own harvests to supply cleaned, dried, and graded hemp grain to APH at pre-contracted prices. Harvests of hemp grain typically occurs 3-4 months after planting, with hemp grain deliveries to APH for processing commencing approximately one month following harvest.

APH's contracted growers must deliver hemp grain of a quality that meets field inspection standards. For hemp grain to be purchased by APH, it must adhere to clean seed standards, and must be packaged in food grade bags, and on pallets for transport to APH's processing facility.

Once the hemp grain is received from growers into APH's processing facility, an independent third-party lab test is conducted to verify quality of the hemp grain before APH accepts delivery. APH only begins production and manufacturing processes after the hemp grain has cleared quality testing.

### 3.6.3 **Part 3: Manufacture of hemp seeds**

The hemp grain undergoes a three-stage manufacturing process:

#### (a) Stage 1: Hemp grain de-hulling

The first manufacturing process is the de-hulling of the hemp grain, which is the process of separating the hard-outer shell of the hemp grain (the 'husk') from the edible hemp grain (the 'heart') inside. Any excess de-hulling 'waste' is sold as animal stock feed. APH's de-hulling machine has the capacity to process three metric tonnes of hemp grain per hour.

The de-hulling machine has a product separation capability. This allows for the de-hulled hemp grain to be separated into specific product lines efficiently. Small-sized hemp grains are separated for use in cold pressing, whilst larger size hemp grains may require no further processing after the de-hulling process. This separator has the capacity to sort one metric tonne of hemp grain per hour.

APH's processing facility is 'Hazard Analysis and Critical Control Points' (**HACCP**) certified, and this certification extends to the processing and cold storage of the hemp grain.

#### (b) Stage 2: Cold Pressing

APH produces hemp oil through a cold press extraction method, which is outsourced to a third party off site. Following the cold-pressing process, the hemp oil is returned to APH's facility to be packaged

#### (c) Stage 3: Milling

The by-product of the cold-pressing process is referred to as 'hemp cake'. This hemp cake is nutrient-rich and ideal for producing both protein and high fibre powders.

APH outsources processing of this hemp cake to a third party milling company, which uses different milling and sifting techniques to produce hemp powders. APH's two different powders, Hemp Boost and Hemp Balance, are produced in this manner. The hemp powder is returned to APH's facility for packaging.

### 3.6.4 **Part 4: Product Packaging**

APH's facility has the capability to package wholesale and retail-ready products with on-site retail packaging equipment. APH packages and distributes retail products from its facility. The new 'Hemp Honey & Nut Bar' is the only product not packaged by APH.

APH plans to introduce automation to its packaging process to increase retail production capacity.

### 3.6.5 Part 5: Sales and Distribution

APH's sales are predominantly within Australia and New Zealand, and result from:

- **wholesale parties** who use either the raw hemp grain or processed bulk products (including de-hulled hemp seed, milled powders, and cold-pressed hemp oil) as ingredients in their own products (e.g. breakfast cereals or hand cream); and
- **retail consumers** of APH's own-branded products (e.g. hemp seeds, Hemp Boost and Hemp Balance milled powders, and cold pressed hemp oil).

### 3.7 APH Products

APH produces five key products for retail and wholesale:

- **Whole seed** – whole hemp seed for their protein and fibre nutritional content. Note that APH can only sell whole hemp seeds to licensed farmers and other licensed manufacturers and not to any other consumers.
- **Hulled hemp seed** – this is the whole seed that has been de-hulled (the hard outer-shell has been removed). The product would be consumed for the nutritional benefit of their protein and oil content. The inner part of the hemp seed is soft and has a nutty flavour.
- **Cold-pressed hemp oil** – an excellent source of essential fatty acids, which are considered 'good fats' as building blocks of the immune system. This can also be used as an ingredient in other products, such as body cream.
- **Hemp Balance** – high-in-fibre hemp powder, which also contains omega 3, 6 and 9 as well as 20 amino acids.
- **Hemp Boost** – high-in-protein hemp powder, which also naturally contains magnesium and omega 3, 6 and 9 as well as 20 amino acids.



Figure 3: APH hemp products outlined above

APH has developed a new product, the 'Hemp Honey & Nut Bar', which was launched in May 2019.



Figure 4: APH hemp honey & nut bar



Figure 5: APH hulled hemp seeds

### 3.8 APH Revenue Streams

APH has six main methods for generating revenue:

- **(Hemp products – wholesale):** APH sells a variety of its own line of hemp products wholesale, including hemp seeds, cold-pressed hemp oil, high-in-fibre hemp powder (Hemp Balance), high-in-protein hemp powder (Hemp Boost), hemp hearts (fines), and hemp 'offal' (which is used for animal stock feed). APH sells these products to consumers and other wholesale distributors as a white-labelled product.
- **(Hemp products – retail sale):** APH sells hemp products under its own branding and packaging through its website and other platforms. These products include hemp seeds, cold-pressed hemp oil, high-in-fibre hemp powder (Hemp Balance), and high-in-protein hemp powder (Hemp Boost).
- **(Resale of hemp seeds):** APH sells hemp seeds to its farmer network and generates a small margin.
- **(Resale of hemp grain):** APH supplies unprocessed hemp grain to other licensed manufacturers of hemp products.
- **(Contract de-hulling services):** APH provides de-hulling services to other hemp seed growers.
- **(Contract packaging services):** APH provides packaging services for de-hulled hemp grain to other hemp seed producers.

### 3.9 APH’s regulatory licences and certificates

APH holds numerous certifications to operate as a producer of hemp food products, in order to produce hemp and manufacture food products. A summary of the relevant certifications is outlined below:

Certification	Licence Reference	Issuing Authority	Term	Licence Details	Interpretation
Authority for low-THC cannabis	File: DSDB/16/15084-2	Department of Economic Development, Jobs, Transport and Resources	4 July 2019	Authority for low-THC cannabis under Part IVA of Drugs, Poisons and Controlled Substances Act 1981	This authority allows APH to (amongst other things) possess, process, supply, cultivate and store lot-THC cannabis.
Licence to import	1821078	Department of Health	1 January 2019 until 31 December 2019	Licence to import under Regulation 5 of the Prohibited Imports) Regulations 1956, industrial hemp (cannabis sativa) seed	This licence allows the CIA Mann Family Trust to import an unlimited amount of FINOLA®.
Permit to import	CSH1813186	Department of Health	29 March 2018 until 29 September 2018	Permit to import under Regulation 5 of the Prohibited Imports) Regulations 1956, industrial hemp (cannabis sativa) seed	This permit allowed the CIA Mann Family Trust to import up to 50 tonnes of FINOLA® seed in 2018.
Permit to import	CSH1918475	Department of Health	31 May 2019 until 1 December 2019	Permit to import under Regulation 5 of the Prohibited Imports) Regulations 1956, industrial hemp (cannabis sativa) seed	This permit allows the CIA Mann Family Trust to import up to 10 tonnes of FINOLA® seed in 2019.
Food management safety system	FSM43953	Food Safety Management System – HACCP	26 April 2019 until 25 April 2022	CAC HACCPVER:2003 – CODEX HACCP and GMP	This certificate provides confirmation that APH has

Certification	Licence Reference	Issuing Authority	Term	Licence Details	Interpretation
				processing and dispatch of hemp seed into de-hulled seed and meal products packed in LDPE bags and bulk bags and oil products packed in glass bottles.	adequate systems in place for managing the production of hemp food products from its Geelong facility.
Certificate of renewal of registration of food premises	9906994	City of Greater Geelong	1 January 2019 until 30 December 2019	Food Act 1984 and Food (Forms and Registration) Regulations 2015 certificate of renewal of food premises for manufacturer of low risk foods – class 3	This certificate confirms APH's Geelong facility is registered for food production by the City of Greater Geelong.
Kosher certificate	KC#19577-1	The Kashrut Authority	12 August 2019	The Kashrut Authority certification of kosher products in Australia, New Zealand and Asia Pacific	This certificate means that the majority of APH products are certified as kosher.

As at the date of this Prospectus, APH utilises the licence to import held by CIA Mann Family Pty Ltd (ACN 620 778 752) as trustee for the CIA Mann Family Trust. However, APH has applied to the Department of Health and the Office of Drug Control for its own licence to import low-THC cannabis and expects to receive a response on its application by the end of September 2019. During the period in which APH does not have a licence, the CIA Mann Family Pty Ltd (ACN 620 778 752) as trustee for the CIA Mann Family Trust has agreed to provide a licence to continue to use the licence to import until such time as APH obtains its own licence to import.

### 3.10 Compliance of Hemp Food Products

APH's hemp food products are produced in compliance with the FSANZ. To ensure, and provide continual compliance, APH have adopted management systems that include:

- internal quality control system;
- dedicated quality control staff;
- quality control manual/processes;

- auditing; and
- quality assurance certifications.

APH operates a certified food management safety system that complies with the requirements of HACCP and 'Good Manufacturing Practices' (certificate number FSM43953) as outlined in Section 0.

### **3.11 APH Intellectual Property**

The APH brand is protected by trademark filings in Australia as well as via common law rights.

Common law protects trademarks by recognising the Company's right to exclusive use, subject to the geographical and market boundaries of the Company's established trade reputation. Registration also allows the Company to register in other countries that adhere to the International Convention for the Protection of Industrial Property.

The Company has obtained the following trademark:

Number	Status	Particulars	Jurisdiction	Filing Date	Classes
1834644	Registered		Australia	28 March 2017	3, 5, 29, 31

### 3.12 FINOLA® Hemp Seed

APH is the exclusive supplier of FINOLA® in Australia through an agreement with FINOLA OY and FINOLA Australia Pty Ltd that grants a limited licence to purchase FINOLA® hemp seed from Dr Jace Callaway, FINOLA OY and FINOLA Australia Pty Ltd (See Section 9.3.10 for more detail.)

The FINOLA® variety of industrial hemp is a short, rapidly maturing, dioecious, auto-flowering oilseed crop that was developed in Finland for hempseed grain production. FINOLA® is cultivated like other industrial oilseed crops, such as rapeseed, and is nurtured for food production and oil extraction. In terms of grain yield, it is considered to be the most productive variety of hemp for grain. FINOLA® grows best in continental and temperate regions. FINOLA® only grows up to 160-180cm in height, so it is easily threshed by standard agricultural machinery. As such, FINOLA®'s high grain production, ease of harvest, sweet nutty taste and unique oil profile make it the oilseed crop of choice for both foods and feed.

FINOLA® hemp seed is grown in 32 countries around the world. It is one of the most popular hemp varieties, grown throughout Europe and North America. In the last 5 years the FINOLA® variety has accounted for over 40% of Canada's hemp production.

FINOLA® has a shorter life cycle than other varieties, only taking 100 days to mature compared to 120. FINOLA® is day-length insensitive meaning it is unaffected by exposure to light and dark, as such this affords growers greater flexibility during the cultivation process.

APH imports its FINOLA® hemp seeds predominantly from Canada and Finland (with other varieties of hemp seeds coming from Australia, New Zealand, France, China and Canada).

### 3.13 Growth and Expansion Strategy

APH plans to expand its processing facility's capability and capacity by acquiring new equipment as well as expanding its hemp grain supply. APH intends to explore new opportunities and strategic alliances for the sale of its products. APH is in the process of expanding its work force to meet this strategy.

### 3.14 VAST Technology

On 3 July 2015, Alchemia announced to the ASX that it has executed a deed of assignment to assign its VAST drug discovery technology to VAST Biosciences Pty Ltd. Under this assignment, Alchemia is entitled to 10% of net revenues received under existing collaboration agreements and 5% of net revenues received from any other sources. As a result of this assignment, Alchemia will not be incurring any further expenditure on VAST beyond 30 July 2015.

## 4. Financial Information

### 4.1 Financial Information

The financial information contained in this Section 4 includes historical financial information for APH for the eleven months ended 30 June 2017 (**FY2017**), and financial years ended 30 June 2018 (**FY2018**) and 30 June 2019 (**FY2019**).

APH has a 30 June financial year end.

This Section 4 contains a summary of:

#### 4.1.1 statutory historical financial information, comprising:

- (a) APH's statutory historical income statements for FY2017, FY2018 and FY2019 (**Statutory Historical Income Statements**);
- (b) APH's statutory historical cash flow statements for FY2017, FY2018 and FY2019 (**Statutory Historical Cash Flows**);
- (c) APH's statutory historical statement of financial position as at 30 June 2019 (**Statutory Historical Statement of Financial Position**);
- (d) Alchemia's statutory historical consolidated statement of financial position as at 30 June 2019 (**Statutory Historical Statement of Financial Position**),

(together, the **Statutory Historical Financial Information**); and

#### 4.1.2 pro forma historical financial information, comprising:

- (a) APH's pro forma historical income statements for FY2017, FY2018 and FY2019 (**Pro Forma Historical Income Statements**);
- (b) APH's pro forma historical cash flow statements for FY2017, FY2018 and FY2019 (**Pro Forma Historical Cash Flows**); and
- (c) APH's pro forma historical consolidated statement of financial position as at 30 June 2019 (**Pro Forma Historical Statement of Financial Position**),

(together, the **Pro Forma Historical Financial Information**).

The Statutory Historical Financial Information and Pro Forma Historical Financial Information is together referred to as the "**Financial Information**".

In addition, Section 4 summarises:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- information regarding certain non-IFRS financial measures (see Section 4.2.3);
- the key pro forma operating and financial metrics (see Section 4.3.1);
- the pro forma adjustments to the Statutory Historical Financial Information (see Sections 4.3, 4.5 and 4.6);
- information regarding liquidity and capital resources (see Section 4.6.1);
- information regarding APH's contractual obligations, commitments and contingent liabilities (see Section 4.6.2);

- management's discussion and analysis of the pro forma Historical Financial Information (see Section 4.7);
- a description of APH's critical accounting policies (see Section 4.8);
- APH's dividend policy (see Section 4.9); and
- Information regarding APH's related party transactions (see Section 4.10).

The information in Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in Section 4 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest dollar. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

## **4.2 Basis of preparation and presentation of the Financial Information**

### **4.2.1 Overview and preparation and presentation of the Financial Information**

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flow and financial position of APH.

As Alchemia is a listed shell entity and does not currently constitute a business, information regarding the historical financial performance and cash flows of Alchemia is not considered relevant and, therefore, has not been included in the Prospectus.

Given the fact that APH is in an early, growth stage of development, there are significant uncertainties associated with forecasting the future revenues and expenses of the Company. On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in the Prospectus.

The Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board and APH's accounting policies. APH's significant accounting policies are described in Appendix A.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than it includes certain adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they had occurred on or before 30 June 2019.

The Pro Forma Historical Financial Information does not reflect the actual financial results and cash flows of APH for the periods indicated. The Directors of APH believe that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis.

The Financial Information is presented in an abbreviated form and it does not include all of the presentation and disclosures, statements or comparative information required by AAS and

other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 4 describes certain non-IFRS financial measures that APH uses to manage and report on the business that are not defined under or recognised by AAS or IFRS.

#### Reverse Takeover

The proposed acquisition by Alchemia (the legal parent) of APH (the legal Subsidiary) is deemed to be a reverse asset acquisition under the principles of AASB 3 "Business Combinations" since the substance of the transaction is that the existing shareholders of APH have effectively acquired Alchemia. As a result of the Acquisition, APH is considered to be the accounting acquirer and Alchemia is considered to be the accounting acquiree. Therefore, this Financial Information has been prepared as a continuation of the financial statements of APH.

However, as Alchemia did not constitute a business at the acquisition date, no goodwill can be recognised as a result of the transaction and any excess of the notional transaction consideration paid over the assets and liabilities of Alchemia acquired is recognised as an expense in the income statement.

#### Independent Limited Assurance Report

The Financial Information (as defined above) has been reviewed by RSM Corporate Australia Pty Limited in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information as stated in its Independent Limited Assurance Report set out in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report.

### 4.2.2 Preparation of the Financial Information

The Financial Information has been presented on both a statutory and a pro forma basis.

The Statutory Historical Financial Information for FY2017 for APH has been derived from the FY2017 audited general purpose financial statements of APH.

The Statutory Historical Financial Information for FY2018 for APH has been derived from the FY2018 audited general purpose financial statements of APH.

The Statutory Historical Financial Information for FY2019 for APH has been derived from the FY2019 audited general purpose financial statements of APH.

The Statutory Historical Financial Information for FY2019 for Alchemia has been derived from the FY2019 audited general purpose financial statements of Alchemia.

The financial statements of APH for FY2017 and FY2018 and FY2019 were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM Australia Partners has issued qualified audit opinions on these financial statements.

The audit reports were qualified on the basis that RSM Australia Partners was appointed as auditors of APH on 26 April 2019 and, therefore, did not observe the counting of the physical inventories at 30 June 2017 or 30 June 2018. RSM Australia Partners was unable to satisfy itself by alternative means concerning inventory quantities held at 30 June 2017 or 30 June 2018. Since opening and closing inventories enter into the determination of the financial performance and cash flows of each period, RSM Australia Partners was unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of profit or loss and other comprehensive income and the net cash

flows from operating activities reported in the statement of cash flows. RSM Australia Partners' audit report also included a paragraph drawing attention to the fact that there were events or conditions, along with other matters disclosed in the financial statements, indicating that a material uncertainty existed that may cast doubts on APH's ability to continue as a going concern.

The financial statements of Alchemia for FY2019 were audited by Grant Thornton Audit Pty Ltd in accordance with Australian Auditing Standards. Grant Thornton Audit Pty Ltd has issued unqualified an audit opinion on these financial statements. Without modification of their audit opinion, Grant Thornton Audit Pty Ltd's audit report included a paragraph drawing attention to the fact that there were events or conditions, along with other matters disclosed in the financial statements indicating that a material uncertainty existed that may cast doubts on Alchemia's ability to continue as a going concern.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of APH and Alchemia and adjusted for the effects of the pro forma adjustments.

Section 4.3 Table 4.3 sets out the pro forma adjustments made to the Statutory Historical Income Statements and a reconciliation of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements.

Section 4.5 Table 4.6 sets out the pro forma adjustments to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro Forma Historical Cash Flows. Pro forma adjustments were made to the Statutory Historical Cash Flows to reflect the cash impact of the pro forma adjustments to the Statutory Historical Cash Flows.

Section 4.6 Table 4.8 sets out the pro forma adjustments to the Statutory Historical Statement of Financial Position, and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position. Pro forma adjustments were made to the Statutory Historical Statement of Financial Position to reflect the impact of the legal acquisition of APH by Alchemia and other associated transactions and the Offer as if they had occurred as at 30 June 2019.

In preparing the Financial Information, APH's accounting policies have been consistently applied throughout the periods presented.

Investors should note that past results are not a guarantee of future performance.

#### Going Concern

The Financial Information for FY2019 has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that there are reasonable grounds that APH will be able to continue as a going concern as a result of the proceeds raised from the Offer.

#### 4.2.3 Explanation of certain non-IFRS financial measures

To assist in the evaluation of the performance of APH, certain measures are used to report on the Company that are not recognised under AAS or IFRS. These measures are collectively referred in this Section 4 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBITDA** is earnings/ (losses) before interest (net finance income), taxation, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation, amortisation and before interest and taxation. APH also calculates EBITDA margin, which is EBITDA expressed as a percentage of total revenue. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of APH operations;
- **EBIT** is earnings/(losses) before interest (net finance income) and taxation;
- **Operating cash flow** is EBITDA after the removal of non-cash items in EBITDA (e.g. share-based payment expenses and movements in provisions) and changes in working capital. APH uses operating cash flow to indicate the level of operating cash flow generated from EBITDA;
- **Free cash flow** is operating cash flows less capital expenditure cash flows; and
- **Working capital** includes trade and other receivables, inventory and other current assets less trade and other payables, other liabilities and provisions.

Although the Directors believe that these measures provide useful information about the financial performance of APH, they should be considered as supplements to the income statement or cash flow statement measures that have been presented in accordance with AAS and IFRS and not as a replacement for them. As these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way APH calculated these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

### 4.3 Pro Forma Historical Income Statements

Table 4.1 sets out a summary of the Pro Forma Historical Income Statements of APH for FY2017, FY2018 and FY2019. The Pro Forma Historical Income Statements are reconciled to the respective historical income statements in Section 4.3.2.

**Table 4.1: Summary of Pro Forma Historical Income Statements**

<b>Pro Forma Historical</b>				
<b>\$ thousands</b>				
<b>Year ended 30 June</b>	<b>Notes</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Revenue		155	1,030	866
Cost of sales		(34)	(959)	(494)
<b>Gross Profit</b>		<b>121</b>	<b>71</b>	<b>372</b>
Operating expenses				
Employee benefits expenses		-	(373)	(444)
Professional and consulting		(1)	(1,692)	(366)
Other expenses	1	(405)	(534)	(590)
Total operating expenses		(406)	(2,599)	(1,400)
<b>EBITDA</b>		<b>(285)</b>	<b>(2,528)</b>	<b>(1,028)</b>
Depreciation and amortisation		(6)	(102)	(125)
<b>EBIT</b>		<b>(291)</b>	<b>(2,630)</b>	<b>(1,153)</b>
Other income		1	-	-

<b>Pro Forma Historical</b>				
<b>\$ thousands</b>				
<b>Year ended 30 June</b>	<b>Notes</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Finance costs		-	(96)	(203)
<b>Loss before income tax</b>		<b>(290)</b>	<b>(2,726)</b>	<b>(1,356)</b>
Income tax expense		-	-	-
<b>NPAT</b>		<b>(290)</b>	<b>(2,726)</b>	<b>(1,356)</b>

**Notes:**

1. *Other expenses include pro forma adjustments for listed public company costs as detailed in Table 4.3.*

#### 4.3.1 Key operating and financial metrics

Table 4.2 sets out APH's key pro forma historical operating and financial metrics for FY2017, FY2018 and FY2019.

**Table 4.2: Pro forma historical key operating and financial metrics**

<b>Pro Forma Historical</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY 2019</b>
Total revenue (\$ thousands)	155	1,030	866
Gross profit (\$ thousands)	121	71	372
Gross profit margin	78.1%	6.9%	43.0%
EBITDA (\$ thousands)	(285)	(2,528)	(1,028)
EBITDA margin	(183.9%)	(245.4%)	(118.7%)
Operating expenses (% revenue)	261.9%	252.3%	161.7%

#### 4.3.2 Pro forma adjustments to the Statutory Historical Income Statement

Table 4.3 sets out the pro forma adjustments that have been made to the Statutory Historical Income Statements.

**Table 4.3: Pro forma adjustments to the Statutory Historical Income Statement**

<b>\$ thousands</b>				
<b>Period</b>	<b>Notes</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Statutory Other expenses		(16)	(145)	(201)
Incremental costs of being a listed entity	1	(389)	(389)	(389)
<b>Pro Forma other expenses</b>		<b>(405)</b>	<b>(534)</b>	<b>(590)</b>
Statutory NPAT		72	(2,337)	(967)
Incremental costs of being a listed entity	1	(389)	(389)	(389)
Tax impact of Pro Forma adjustments	2	27	-	-
<b>Pro Forma NPAT</b>		<b>(290)</b>	<b>(2,726)</b>	<b>(1,356)</b>

**Notes:**

1. *Listed public company costs – adjustment made to include APH’s estimate of incremental annual costs that it will incur as a listed Company. These incremental costs include annual listing costs, share registry costs, additional Director fees and additional audit and tax compliance costs.*
2. *Tax impact on pro-forma adjustments is limited due to unrecognised tax losses.*

**4.3.3 Summary of Statutory Historical Income Statement**

Table 4.4 sets out APH’s Statutory Historical Income Statements for FY2017, FY2018 and FY2019.

**Table 4.4: Summary of Statutory Historical Income Statements**

<b>Statutory Historical</b>			
<b>\$ thousands</b>			
<b>Year ended 30 June</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Revenue	155	1,030	866
Cost of sales	(34)	(959)	(494)
<b>Gross Profit</b>	<b>121</b>	<b>71</b>	<b>372</b>
Operating expenses			
Employee benefits expenses	-	(373)	(444)
Professional and consulting	(1)	(1,692)	(366)
Other expenses	(16)	(145)	(201)
Total operating expenses	(17)	(2,210)	(1,011)
<b>EBITDA</b>	<b>104</b>	<b>(2,139)</b>	<b>(639)</b>
Depreciation and amortisation	(6)	(102)	(125)
<b>EBIT</b>	<b>98</b>	<b>(2,241)</b>	<b>(764)</b>
Other income	1	-	-
Finance costs		(96)	(203)
<b>Profit before income tax</b>	<b>99</b>	<b>(2,337)</b>	<b>(967)</b>
Income tax expense	(27)	-	-
<b>NPAT</b>	<b>72</b>	<b>(2,337)</b>	<b>(967)</b>

#### 4.4 Segment information

In accordance with Australian Accounting Standard AASB 8 Operating Segments, APH has determined it operates with a single operating segment for FY2017, FY2018 and FY2019.

#### 4.5 Pro Forma Historical Cash Flows

Table 4.5 sets out APH's Pro Forma Historical Cash Flows for FY2017, FY2018 and FY2019. The pro forma cash flow information has been constructed using the indirect method (i.e. reconciling EBITDA to operating cash flows).

**Table 4.5: Summary of Pro Forma Historical Cash Flows**

Pro Forma Historical				
\$ thousands				
Year ended 30 June	Notes	FY2017	FY2018	FY2019
EBITDA	1	(285)	(2,528)	(1,028)
Changes in working capital	2	(192)	2,726	(147)
<b>Operating cash flow</b>		<b>(477)</b>	<b>198</b>	<b>(1,175)</b>
Capital expenditure		(52)	(64)	-
<b>Free cash flow</b>		<b>(529)</b>	<b>134</b>	<b>(1,175)</b>
Net proceeds/(payments) from borrowings		146	(443)	488
Net proceeds/(payments) of lease liabilities		-	(79)	(168)
Net proceeds from related party borrowings		-	-	462
Tax impact of Pro Forma adjustments		27	-	-
<b>Net cash flow</b>		<b>(356)</b>	<b>(388)</b>	<b>(393)</b>

**Notes:**

1. Refer to Section 4.3 for Pro Forma Historical Income Statement.
2. Working capital includes trade and other receivables and other current assets less trade and other payables, other liabilities and provisions.

#### 4.5.1 Pro forma adjustments to the Statutory Historical Cash Flows

Table 4.6 sets out the pro forma adjustments that have been made to the Statutory Historical Cash Flows to reflect the post-tax cash impact of the pro forma earnings adjustments. These adjustments are summarised and explained in the table below.

**Table 4.6: Pro forma adjustments to the Statutory Historical Cash Flows**

\$ thousands				
Period	Notes	FY2017	FY2018	FY2019
Statutory net cash flow		6	1	(4)

<b>\$ thousands</b>				
<b>Period</b>	<b>Notes</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Incremental costs of being a listed entity	1	(389)	(389)	(389)
Tax impact of Pro Forma adjustments		27	-	-
<b>Pro Forma net cash flow</b>		<b>(356)</b>	<b>(388)</b>	<b>(393)</b>

**Notes:**

1. Adjustment to include the cash impact of the listed public company costs as described in Note 1 of Table 4.3.

#### 4.5.2 Summary of Statutory Historical Cash Flows

Table 4.7 sets out Statutory Historical Cash Flows for FY2017, FY2018 and FY2019.

**Table 4.7: Summary of Statutory Historical Cash Flows**

<b>Statutory Historical</b>				
<b>\$ thousands</b>				
<b>Year ended 30 June</b>	<b>Notes</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
EBITDA	1	104	(2,139)	(639)
Changes in working capital		(192)	2,726	(147)
<b>Operating cash flow</b>		<b>(88)</b>	<b>587</b>	<b>(786)</b>
Capital expenditure		(52)	(64)	-
<b>Free cash flow</b>		<b>(140)</b>	<b>523</b>	<b>(786)</b>
Net proceeds/(payments) from borrowings		146	(443)	488
Net proceeds/(payments) of lease liabilities		-	(79)	(168)
Net proceeds from related party borrowings		-	-	462
Transaction costs				
<b>Net cash flow</b>		<b>6</b>	<b>1</b>	<b>(4)</b>

**Notes:**

1. Refer to Section 4.3.3. for Statutory Historical Income Statement.

#### 4.6 Statutory Historical Statements of Financial Position and Pro Forma Historical Statement of Financial Position

Table 4.8 sets out the Statutory Historical Statement of Financial Position of both APH and Alchemia and the pro forma adjustments that have been made to prepare the Pro Forma Historical Statement of Financial Position for APH. These adjustments take into account the effect of the legal acquisition of APH by Alchemia (deemed to be a reverse asset acquisition under the principles of AASB 3 “Business Combinations”), proceeds of the Offer and related transaction costs and other related pro forma adjustments as if they had occurred as at 30 June 2019.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of APH's view of its financial position upon Completion or at a future date. Further information on the sources and uses of funds of the Offer is contained in Section 7.

**Table 4.8: Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 30 June 2019**

\$ thousands	Notes	Alchemia Statutory Historical Balance Sheet at 30 June 2019	APH Statutory Historical Balance Sheet at 30 June 2019	Impact of the reverse asset acquisition	Impact of the Offer and unsecured convertible note issue	APH Consolidated Pro Forma Balance Sheet at 30 June 2019
<b>Current assets</b>						
Cash and cash equivalents	1, 2, 3, 4	609	4	(105)	4,735	5,243
Trade and other receivables		27	189	-	-	216
Loan to APH	5	600	-	(600)	-	-
Inventories	2	-	382	-	800	1,182
Prepayments		51	-	-	-	51
<b>Total current assets</b>		<b>1,287</b>	<b>575</b>	<b>(705)</b>	<b>5,535</b>	<b>6,692</b>
<b>Non-current assets</b>						
Plant and equipment		-	711	-	-	711
Prepayments		130	-	-	-	130
<b>Total non-current assets</b>		<b>130</b>	<b>711</b>	<b>-</b>	<b>-</b>	<b>841</b>
<b>Total assets</b>		<b>1,417</b>	<b>1,286</b>	<b>(705)</b>	<b>5,535</b>	<b>7,533</b>
<b>Current liabilities</b>						
Trade and other payables		(102)	(343)	-	-	(445)
Borrowings	6	-	(2,486)	2,081	265	(140)
Employee benefits		(7)	(23)	-	-	(30)
Lease liability		-	(176)	-	-	(176)
Income tax		-	(7)	-	-	(7)
<b>Total current liabilities</b>		<b>(109)</b>	<b>(3,035)</b>	<b>2,081</b>	<b>265</b>	<b>(798)</b>
<b>Non-current liabilities</b>						
Borrowings	6	-	(1,155)	-	-	(1,155)
Employee benefits		-	(6)	-	-	(6)
Lease liability		-	(322)	-	-	(322)
<b>Total non-current liabilities</b>		<b>-</b>	<b>(1,483)</b>	<b>-</b>	<b>-</b>	<b>(1,483)</b>
<b>Total liabilities</b>		<b>(109)</b>	<b>(4,518)</b>	<b>2,081</b>	<b>265</b>	<b>(2,281)</b>
<b>Net assets</b>		<b>1,308</b>	<b>(3,232)</b>	<b>1,376</b>	<b>5,800</b>	<b>5,252</b>
<b>Equity</b>						
Issued capital	7	121,295	-	(117,626)	6,027	9,697
Reserves	8	-	-	-	200	200
Retained earnings	9	(119,987)	(3,232)	119,002	(427)	(4,644)
<b>Total equity</b>		<b>1,308</b>	<b>(3,232)</b>	<b>1,376</b>	<b>5,800</b>	<b>5,252</b>

**Notes:**

1. *As a condition of the Acquisition, the Company must repay debts to a related party of James Hood amounting to \$169,000 by way of a loan repayment of \$105,000 and the issue of 320,291 ordinary shares. The related party will also forgive \$15,000 of the related party loan receivable from APH as part of the Acquisition.*
2. *On 11 July 2019, APH issued 800,000 unsecured convertible notes at a price per note of \$1.00, in consideration for raising in aggregate \$800,000. The notes will convert into shares into Alchemia as part of the RTO based on the RTO price and at no discount to the RTO price. The proceeds from the unsecured convertible notes was used to acquire inventory.*
3. *Cash and cash equivalents increase by \$4.7 million on a pro forma basis as a result of the Offer comprised of gross proceeds of the Offer of \$5.7 million less the cash impact of unpaid Offer costs of \$0.7 million and the repayment of \$260,000 due to a Seller as set out below.*
4. *The Company intends to repay a loan due to a Seller amounting to \$260,000 out of the proceeds of the Offer.*
5. *The Company has made a loan of \$0.6 million to APH which will eliminate upon consolidation. The loan is included within APH's current borrowings.*
6. *Borrowings of APH relate to:*
  - (a) *Current related party loans of \$1.7 million (refer to Section 4.10 for further details).*
  - (b) *Commercial loans of \$1.8 million of which \$0.7 million is classified as current and \$1.2 million is classified as non current. The commercial loans are secured by APH's present and future property, plant and equipment. Current commercial loans includes \$0.6 million payable to Alchemia which will eliminate upon consolidation.*
  - (c) *As a condition of the Acquisition, APH will convert related party loans totalling \$1.3 million to shares. The Seller (who has also provided a loan to APH) will also forgive \$50,000 of the loan receivable from APH.*
  - (d) *As referred to in point 1, as condition of the Acquisition, the Company must repay debts to a related party of James Hood amounting to \$169,000 by way of a loan repayment of \$105,000 and the issue of 320,291 Shares (on a post-Consolidation basis). The related party of James Hood will also forgive \$15,000 of the related party loan receivable from APH as part of the Acquisition.*
7. *Issued capital is adjusted to reflect:*
  - (a) *Elimination of the Company's issued share capital following Completion.*
  - (b) *The deemed consideration, calculated in accordance with AASB 2 – share based payment, of the Acquisition, representing the net assets of Alchemia at 30 June 2019 of \$1.3 million.*
  - (c) *Issue of Shares following Completion amounting to \$5.7 million and related conversion of unsecured convertible notes amounting to \$0.8 million.*

- (d) *Costs of the Offer directly attributable to the new issue of ordinary share capital, which are applied against the Company's share capital, of \$0.5 million.*
  - (e) *The issue of Shares to the M&A Advisor and Corporate Advisor amounting to \$1.05 million.*
  - (f) *The issue of Shares as part settlement of a debt to a related party of James Hood (as discussed in note 1 above) amounting to \$0.06 million.*
8. *Reserves represent the fair value, calculated in accordance with AASB 2 – Share Based Payment, of Options to be issued to the M&A Advisor and Corporate Advisor.*
9. *Accumulated losses are adjusted to reflect:*
- (a) *Forgiveness of the \$50,000 loan due by APH to a Seller as set out in 6(c) above and the \$15,000 loan due from related party of James Hood as set out in 6(d) above.*
  - (b) *Elimination of the Company's accumulated losses following Completion.*
  - (c) *Costs of the Offer not directly attributable to the new issue of ordinary share capital which are applied against the Company's share capital of \$0.2 million.*
  - (d) *The share based payment expense related to the issue of Shares and Options to the M&A Advisor and the Corporate Advisor as set out in 7(e) above.*

#### 4.6.1 **Liquidity and capital resources**

Following Completion, the Company will have, on a pro forma basis, cash of \$5.2 million as at 30 June 2019 arising from the Offer. On a pro forma basis the Company will have net cash (cash less borrowings and lease liabilities) of \$3.45 million as at 30 June 2019.

The Company expects that it will have sufficient cash to meet its short and medium term operational requirements and other business needs.

#### 4.6.2 **Contractual obligations, commitments and contingent liabilities**

APH and Alchemia had no capital or contractual commitments as at 30 June 2019 or the date of this Prospectus.

APH and Alchemia had no contingent liabilities as at 30 June 2019 or the date of this Prospectus.

#### 4.6.3 **Unrecognised deferred tax assets related to carry forward tax losses**

As at 30 June 2019, APH had a deferred tax asset of \$908,405 relating to carry forward tax losses of \$3,303,292 which has not been brought to account and will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised:
  - (i) the conditions for deductibility imposed by tax legislation continue to be complied with; and
  - (ii) the company is able to meet the continuity of business and or continuity of ownership tests.

As at 30 June 2019, ACL had a deferred tax asset of \$29.7 million relating to carry forward tax losses of \$107.9 million which has not been brought to account and will only be obtained if:

- (b) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised:
- (i) the conditions for deductibility imposed by tax legislation continue to be complied with; and
  - (ii) the company is able to meet the continuity of business and or continuity of ownership tests.

The Company understands that it may rely on the continuity of ownership test in relation to some of its carry-forward losses accrued from 1 July 2004 in the context of the Acquisition.

#### 4.7 Management discussion and analysis of the Pro Forma Historical Financial Information

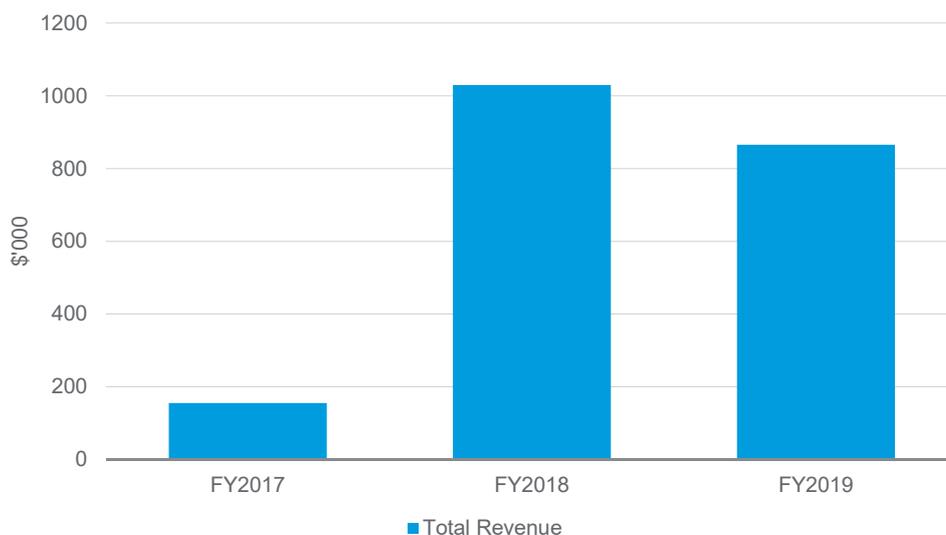
This Section 4.7 includes a discussion of key factors that affected the APH’s operating and financial performance during the period of the Historical Financial Information

The discussion in this Section focuses on the Pro Forma financial information. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected the Company’s historical operating and financial performance, or everything that may affect the Company’s operations and financial performance in the future. The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

##### 4.7.1 Revenue

- Revenue was primarily derived from the sale of hemp based food products.
- Revenue is driven from the market demand for hemp which is primarily driven by food trends and consumer knowledge of hemp / hemp based products.
- Revenue is accounted for under AASB 15 Revenue from Contracts with Customers.

The figure below sets out the Company’s Pro Forma Historical revenue for FY2017, FY2018 and FY2019.



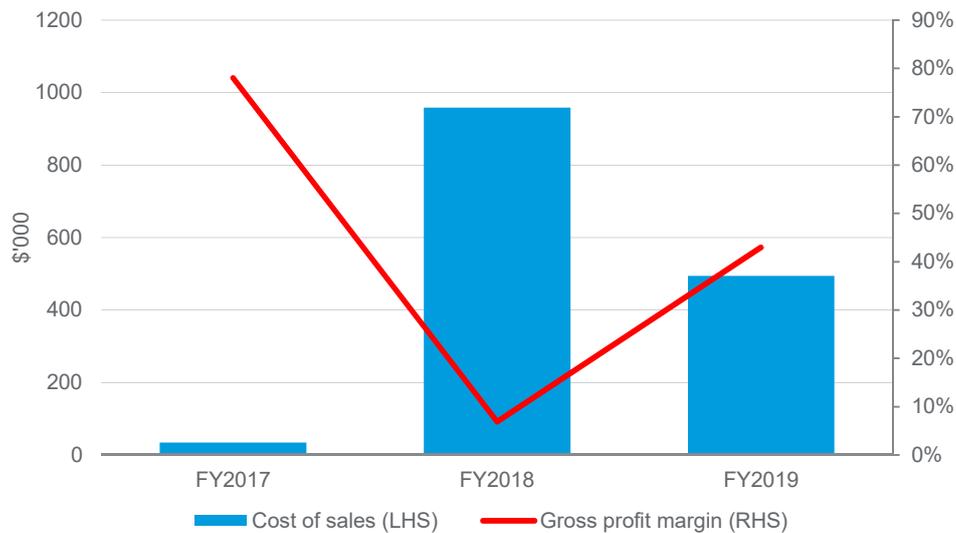
The business was formed in FY2017 and thus produced little revenue in that financial year. Although the FY2019 harvest was larger in size and produced more grain for sale than the prior

year, the harvest was late which deferred the timing of revenue derived from the FY2019 harvest.

#### 4.7.2 Cost of Sales and Gross Margins

- The most significant component of COGS is unhulled hemp grain, which is the main component of all APH products.
- The main factor driving COGS is the quantity and quality of available grain, factoring in such uncontrollable variables such as weather conditions during the growing season.

The figure below sets a breakdown of Pro Forma Historical cost of goods sold and gross margins

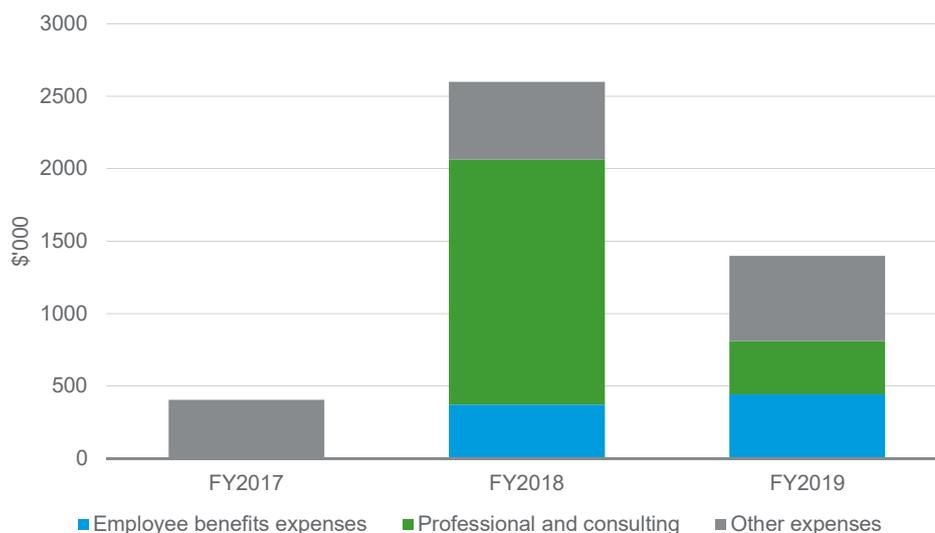


APH installed a custom built de-hulling machine during FY2018, prior to this it did not de-hull any of its own product.

Gross margins were lower in FY2018 due to the calibration of newly installed equipment (causing a higher amount of wastage) and lower grain production from its growers, requiring APH to rely on external sources to supply hemp. These factors did not exist in FY2019.

#### 4.7.3 Operating expenses

The figure below sets out a breakdown of Pro Forma Historical operating expenses.



### **Employee benefits expenses**

As anticipated with the growth of APH, employee expense have also grown, as new roles are created and departments expand.

### **Professional and consulting**

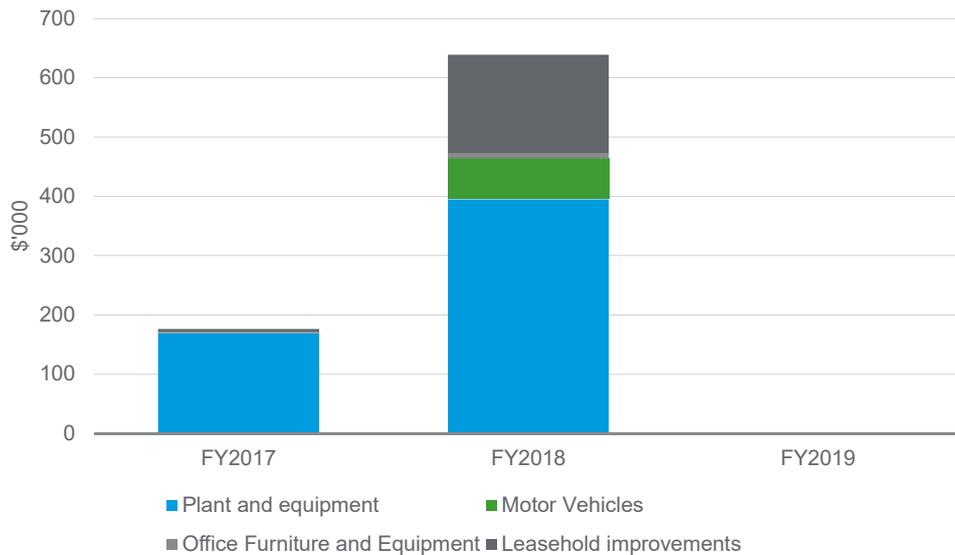
Due to the early stages of the company, a large amount of the operating expenses were consumed by consulting fees to industry experts, to provide advice and support to APH. The company expects these to be largely one-off in nature.

### **Other expenses**

As the company has grown, it is expected that general operating expenditure will also increase. Other expenses also include adjustments made to include APH’s estimate of incremental annual costs that it will incur as a listed Company. These incremental costs include annual listing costs, share registry costs, additional Director fees and additional audit and tax compliance costs.

#### **4.7.4 Capital expenditure**

The table below sets out Pro Forma Historical capital expenditure.



**Notes:**

*The above chart includes capital expenditure financed through external borrowings which is, therefore, not reflected in the pro-forma historical cash flows in Section 4.5.*

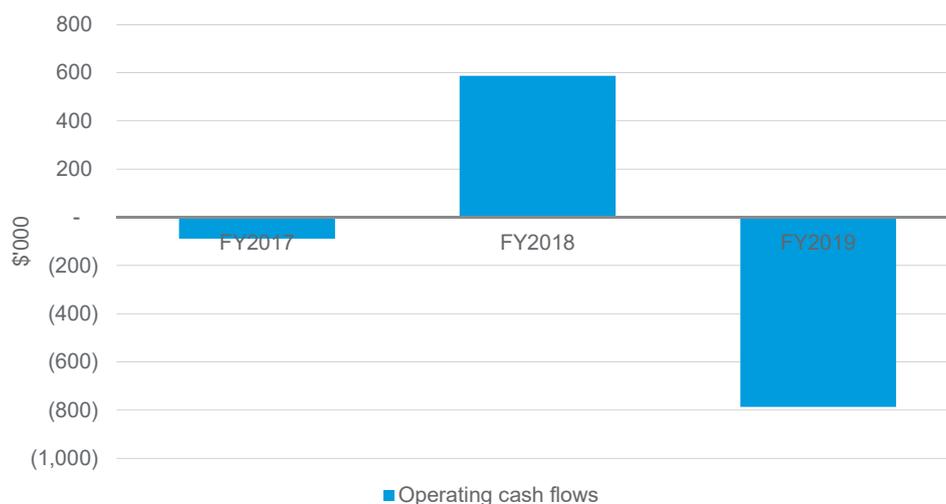
*Capital expenditure can be broken down into four areas, plant and equipment, leasehold improvements, motor vehicles and office equipment.*

- *70% of the total capital expenditure can be attributed to plant and equipment, including the de-hulling machine.*
- *21% is in relation to leasehold improvement / building upgrades including the cool room and offices.*
- *8% of total capital expenditure is related to motor vehicle purchases.*
- *The remaining 1% was used to purchase office equipment.*

*As can be seen in the above table, there was no capital expenditure in FY2019. All major equipment required for APH to operate its current business has been previously acquired.*

**4.7.5 Operating cash flows**

The figure below sets out Pro Forma Historical operating cash flows



As expected in the first year of trading, operating cash flows were negative for FY2017.

FY2018 saw positive operating cash flows mainly due to the pre-payment of hemp supply from one customer (which subsequently turned into a loan).

The negative cash flow in FY2019 can mostly be attributed to an increase in grain purchases in order to sure up supply for the anticipated increase in sales volume.

#### 4.8 Critical Accounting Policies

Preparing financial statements in accordance with AAS requires Management to make judgements, estimates and assumptions about the application of accounting policies that affect the reported revenues and expenses, carrying values of assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. Judgements APH has made in the application of AAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. The key areas in which critical estimates and judgements are applied are as described in the significant accounting policies outlined in Appendix A.

#### 4.9 Dividend Policy

The payment of dividends by the Company is at the complete discretion of the Directors. Given the stage of development of APH, the Directors have no current intention to declare and pay a dividend.

In determining whether to declare future dividends, the Directors will have regard to APH's earnings, overall financial condition, capital requirements and the level of franking credits available. There is no certainty that the Company will ever declare and pay a dividend.

#### 4.10 Related party transactions

A summary of transactions that occurred with related parties during FY2017, FY2018 and FY2019 and related party balances outstanding at 30 June 2019 is set out below. All transactions were made on normal commercial terms and conditions and at market rates.

The loans repayable to related parties are unsecured and repayable within 3 years. An interest rate of 7% per annum was applicable on these loans during FY2019.

Pro Forma Historical \$ thousands Year ended 30 June	FY2017	FY2018	FY2019
<i>Payments for goods and services</i>			
Payment for consultancy services from CIA Mann Family Trust (director related entity of Charlie Mann)	-	1,507	136
Payment for consultancy services from Merang Partners (director related entity of James Hood)	-	121	93
Payment for rent of land from CIA Mann Family Trust (director related entity of Charlie Mann)	-	-	33
	-	1,628	262
<i>Receipts for goods and services</i>			
Receipt for sale of goods to Charlie Mann (Director)	-	33	-
<b>As at 30 June 2019</b>			
<i>Current receivables</i>			
Receivable with Dehulling Victoria (Director related entity of Charlie Mann)			1
Receivable with Finola Australia (director related entity of Charlie Mann)			1
			2
<i>Current payables</i>			
Trade payable owed to CIA Mann Family Trust (director related entity of Charlie Mann)			93
Trade payable owed to a Seller			2
Trade payable owed to a Seller			4
			99
<i>Loans from related parties</i>			
CIA Mann Family Trust (director related entity of Charlie Mann)			1,125
DR Hood Family Trust (director related entity of James Hood)			184
Skye Elizabeth Patterson (former director)			315
James Robert Hood (Director)			126
			1,750

It should be noted that the majority of the consultancy payments to Charles Mann and James Hood for FY2018 were not cash items, but instead resulted in debits to Loans from related parties. These Loans were subsequently converted to equity as part of the Transaction.

## **5. Risk Factors**

### **5.1 Introduction**

This Section describes some of the potential material risks associated with the Company following Completion, the industry in which the Company will operate following Completion and the risks associated with an investment in Shares. The Company is subject to a number of risks, both specific to its business activities and of a general nature. These risks may either individually or in combination materially adversely impact the future operating and financial performance of the Company (following Completion), the investment returns and the value of Shares.

The occurrence or consequences of some of the risks described here are partially or completely outside of the control of the Company, its Directors and management team. Investors should note that this Section 5 does not purport to list every risk that may be associated with the Company's business or the industry in which it operates, or an investment in Shares, now or in the future. The selection of risks has been based on the Company's assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the risks will not change or that other risks will not emerge. There can be no guarantee that the Company will achieve its stated objectives, or that any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance may not be a reliable indicator of future performance.

Before applying for Shares, investors should satisfy themselves that they have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for them, having regard to their investment objectives, financial circumstances and taxation position. Investors should seek advice from their stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Company.

### **5.2 Risks specific to an investment in Alchemia**

#### **5.2.1 Demand and market risk**

The sales potential of APH's products is still at a relatively early commercial stage. The ongoing and future demand for APH's products, in existing and target markets, is still being established and is uncertain. There is a risk that there may not be sufficient demand for APH's products for their sustainable commercial exploitation.

#### **5.2.2 Early stage risk**

APH is at an early stage in development of its business model in an industry that has recently undergone material regulatory changes and is evolving. As a result, investing in APH is speculative and involves significant risk.

Further, the future profitability of APH is contingent on many factors and may be impacted by adverse developments relating to the market for its products. As a result, anticipated development milestones or sales may not be achieved and even if achieved, may not result in APH being or remaining profitable.

APH's business growth plan is contingent, among other things, on successfully building internal capacity to service growth in the product uptake. If it fails to build this capacity or if it develops slower than anticipated, there may be an adverse impact on the profitability of APH, its financial performance and its ability to pay dividends.

### 5.2.3 Agricultural and cultivation risk

The APH Business is based on agricultural production and supply. As such, the APH Business is subject to the risks inherent in the agriculture industry. These risks include crop failures caused by plant diseases (including, mould and bacteria), insects, storm, fire, frost, flood, water salinity, pests, bird damage and force majeure events and in particular, irrigated land can be difficult to secure during times of low rainfall, especially in Australia.

There are also numerous risks associated with the cultivation of the hemp seed itself. Hemp seed requires appropriate drying, cleaning and storage conditions. There are risks in identifying geographic locations that provide the best agronomic conditions for the cultivation of hemp on the magnitude of APH's scale, and selecting the most suitable varieties of hemp for applicable and geographical locations.

These risks may be mitigated to some degree by proper management, but they still may impact growing time, the number of harvests or the yield generated from each harvest.

With respect to how climate change may affect APH, higher temperatures could lead to less rain, which affects the growth of hemp seed. APH's ability to grow large amounts of hemp could be reduced if water sources are not located in this scenario.

### 5.2.4 Counterparty risk

APH's current ability to generate revenue is heavily reliant on strategic arrangements with its supply chain partners. More specifically, APH relies on:

- The purchase of hemp seed, including the importation of raw FINOLA<sup>®</sup> hemp seed into Australia from FINOLA Australia Pty Ltd (**FINOLA Australia**) (see Section 9.3.10 for more information on this arrangement).
- The established farmer and contract growing networks for hemp cultivation grower network, but specifically its relationship with Red Agriculture Pty Ltd (**Red**) for the supply of hemp grain (see Section 9.3.11 for more detail on the RED supply agreement).
- The other relationships APH has in relation to cold pressing, milling hemp seeds as well as its wholesale and retail distribution network.

There is always a risk that any one of these counterparties may terminate their respective agreements with APH or that they may be unable to provide the products or services contemplated by those agreements. There is also no guarantee or certainty that any agreement with these counterparties will be renewed or, if they are renewed, the terms that may apply to such renewal. Similarly to the regulatory and licensing risks set out in Section 5.2.5, there is a risk that the relevant counterparties will be unable to obtain or retain all necessary licences and permits required to perform their respective services.

If any of the agreements with the above counterparties are terminated (but especially the agreements with FINOLA Australia and Red), APH may be unable to continue to earn the same or substantially similar revenue from the sale of hemp products unless alternative arrangements can be negotiated. The inability of APH to generate the same or substantially similar revenue from the sale of hemp products will have a material adverse impact on APH's financial performance and prospects.

While APH may be able to pursue a legal remedy in the event of any default or may be able to negotiate alternate arrangements with third parties, these processes are likely to be time consuming, costly and disruptive to the APH Business.

#### 5.2.5 **Regulatory and licensing risk**

Hemp is closely regulated in Australia. Subject to compliance with state and territory licensing and Federal requirements, the current Australian regulatory framework permits the cultivation and supply of hemp seed and hemp-based food products. Regulation surrounding prescribed maximum THC levels in hemp products and good character requirements are critical to regulatory compliance.

Key laws affecting the industry are summarised below and represent a barrier to entry for new market entrants.

Standard 1.4.4 of the FSANZ provides that hemp food products may be made available for sale, so long as they are not labelled or otherwise presented for sale in a form which expressly or by implication suggests that the product has a psychoactive effect.

Section 61(1) of the *Drugs, Poisons and Controlled Substances Act 1981* (Vic) defines low-THC cannabis as cannabis consisting of the leaves and flowering heads of which do not contain more than 0.35% of THC.

Due to the regulations surrounding cannabis products, legislative reversal in this area may pose a material risk of prohibiting the sale and production of hemp products. The likelihood of any legislative reform is currently unknown.

Hemp cultivation and the production of hemp products are highly regulated by government at multiple levels. The APH Business is dependent on retaining the appropriate licences and permits issued by the relevant authorities for the importation and production of hemp in Australia.

Currently, APH has the permits required to operate the APH Business as described above and intends to seek additional permits, when necessary. APH needs to maintain those permits to continue operating. While the Directors have no reason to believe that APH will not be in a position to maintain its regulatory permits, any change to the regulatory systems in APH's markets that adversely impact on maintenance of APH's regulatory permits would materially adversely impact APH and its performance.

There is no guarantee that any licence or permit already issued to APH will not be revoked during the term of the relevant licence or permit, or that the licence or permit will be renewed for a further period of time or renewed on terms anticipated by APH.

If any current or future application made by APH for a permit or licence is not approved, or any of APH's existing licences or permits are revoked or not renewed, APH will not be able to undertake the activities for which the relevant licence or permit is required. This will adversely affect APH's ability to generate revenue, which will reduce APH's overall profitability and adversely impact its financial performance.

#### 5.2.6 **Key personnel risk**

APH's success depends to a significant extent on the ability, performance and experience of its key personnel.

The loss of key personnel or an inability to recruit or retain suitable replacement or additional personnel may impact APH's ability to develop and implement its strategies, which may have an adverse effect on its future financial performance.

There can be no assurance that APH will be able to attract or retain sufficiently qualified management personnel or maintain its relationships with key organisations and contractors. The loss of key management personnel and the associated corporate knowledge of those people could have a detrimental impact on APH and may adversely affect it by impeding the achievement of its research, product development and commercialisation objectives.

#### **5.2.7 Product liability risk**

APH's hemp food businesses supply food products and APH intends to supply products comprised of hemp seed. As with all food products, there is a risk that the products sold by APH cause risk or injury to consumers.

Should any of APH's products be associated with safety risks such as misuse or abuse, mislabelling, tampering or product contamination or spoilage, a number of materially adverse outcomes could occur.

There is no guarantee that APH's product development efforts will result in new hemp products for sale.

#### **5.2.8 Commodity price risk**

The performance of the APH Business is subject to local and international commodity prices for hemp supply. Adverse movements in commodity prices could have a negative impact on APH's operations and business.

### **5.3 General risks of an investment in Alchemia**

#### **5.3.1 Workplace health and safety risk**

Many aspects of farming and manufacturing operations are inherently dangerous. Sales, administration and other staff are also exposed to risks, particularly if they are travelling.

APH must comply with various health and safety laws in Australia and the US. There is a risk that penalties and other liabilities for the violation of health and safety law and standards may be imposed on APH and may have an adverse effect on APH's reputation and its revenue, profitability and growth.

#### **5.3.2 Competition risk**

APH's chosen market is subject to domestic and international competition. The actions of APH's competitors may negatively affect the operating and financial performance of APH.

For example, APH's competitive position may be adversely impacted by an existing or new competitor who attempts to aggressively grow the APH Business.

#### **5.3.3 Low price of Shares**

Following Completion and re-admission to the Official List, the Company will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the Company's fundamental operations and activities.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the RTO Price. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if the Company's earnings increase.

Some of the factors which may adversely impact the price of the Shares include:

- fluctuations in the domestic and international market for listed securities;
- general economic conditions including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings;
- changes in legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which the Company operates;
- general operational and business risks; and
- sale of a substantial number of Company's securities.

#### 5.3.4 **Low trading and liquidity in Shares**

The Shareholders' escrow position set out in Section 7.23 may limit the liquidity of the market for the Shares during this escrow period.

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid for their Shares under the Offer.

#### 5.3.5 **Further shareholder dilution**

Following Completion, the Company will have sufficient working capital to fund its near-term business operations but may need additional capital to meet its goals as set out in this Prospectus and operate in a changing market. Additional capital may come in the form of licensing or partnering fees, or in the future, the Company may elect to engage in further capital raisings to fund operations, undertake other strategic initiatives, and facilitate equity incentive plans.

While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such issues of Shares, which may ensue from the exercise of Options granted under the Company's Equity Incentive Plan, or further capital raisings.

#### 5.3.6 **Inability to pay dividends or make other distributions**

There is no guarantee that dividends will be paid on Shares in the future. Any distribution is a matter to be determined by the Board in its discretion and the Board's decision will have regard to, amongst other things, the financial performance and position of the Company, relative to its capital expenditure and other liabilities.

Moreover, to the extent that the Company pays any dividends, its ability to offer fully franked dividends is contingent on making taxable profits. The Company's taxable profits may be volatile, making the payment of dividends unpredictable. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances.

Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

### **5.3.7 Possibility of force majeure events**

Events may occur within or outside Australia that could impact on the Australian economy, the Company's operations and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Company's products and its ability to conduct business. While the Company seeks to maintain insurance in accordance with industry practice to insure against the risks it considers appropriate after consideration of the Company's needs and circumstances, no assurance can be given as to the Company's ability to obtain such insurance coverage in the future at reasonable rates or that any coverage arranged will be adequate and available to cover any and all potential claims. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the APH Business, financial condition and results of the Company.

### **5.3.8 Insurance**

The Company seek to maintain Public Offering of Securities Insurance and appropriate policies of insurance consistent with those customarily carried by organisations in their industry sector. Any increase in the cost of the insurance policies of the Company or the industry in which they operate could adversely affect the Company's business, financial condition and operational results. The Company's insurance coverage may also be inadequate to cover losses it sustains. Uninsured loss or a loss in excess of the Company's insured limits could adversely affect the Company's business, financial condition and operational results.

### **5.3.9 Possibility of Litigation**

The Company may be involved in litigation disputes with third parties including suppliers, customers, employees, former employees and government bodies in the ordinary course of business. The occurrence of a litigation dispute may be costly and impact on the Company's reputation which may have a material adverse effect on the business, financial condition and results of the Company.

**6. Key People, Interests and Benefits**

**6.1 Board of Directors**

The Directors of the Company as at Completion bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.

Director	Experience and background
<p><b>Charles Mann</b>  <b>Founder, Executive Director, CEO</b></p> 	<p>Charles is a co-founder of APH, and is focussed on APH’s commercialisation and growth strategy, whilst navigating the regulatory element of the emerging hemp industry.</p> <p>Charles has significant farming experience, particularly in the hemp, poppy, sheep, cattle and dairy industries.</p> <p>Charles and his family maintain significant holdings in businesses that are successfully operating in the agricultural sector. Prior to establishing his own operations in the agricultural industry, Charles had extensive experience in importing, licensing, distribution and logistics within the framework of the Department of Transport and Regional Services for Vectrix Australia Pty Ltd.</p>
<p><b>James Hood</b>  <b>Founder, Executive Director, COO</b></p> 	<p>James is a co-founder of APH, with substantial experience in production facility development and an extensive network of farmers, which has positioned APH well to produce a complete vertically integrated product line.</p> <p>Prior to APH, James had roles in digital software applications and marketing.</p>

Director	Experience and background
<p><b>Cameron Petricevic</b> <b>Non-executive Director and Chair</b></p> 	<p>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 &amp; acquisitions, and portfolio management. Cameron is a Director at Kentgrove Equity Partners Pty Ltd.</p> <p>Cameron is a qualified Actuary (AIAA) and holds a Bachelor of Commerce (Actuarial) and a Bachelor of Engineering (Electrical) from the University of Melbourne, with First Class Honours. 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.</p> <p>Cameron is currently and has been a Director of several private and public companies. He has been a director of Alchemia since June 2018 and currently serves as the Chair.</p>
<p><b>Pauline Gately</b> <b>Non-Executive, Independent Director</b></p> 	<p>Ms. Gately has more than 20 years’ experience in international investment banking, specialising in the Asian region, where she held senior positions with CitiBank, BNP International, Merrill Lynch, and BZW Asia in the areas of research, economics and investment strategy. Ms. Gately was employed at Merrill Lynch &amp; Co Inc., in the research division.</p> <p>Ms Gately has been a non-executive director of Ardiden Limited (ASX: ADV) since 14 August 2018. Prior to this position, Ms. Gately served as a non-executive and subsequently executive chairperson of Alliance Mineral Assets Limited (ASX: A40) from 2014 to 2018. She serves as a Director of Beaverbrook Ltd and Breast Cancer Care WA.</p> <p>Ms Gately obtained an honours degree in Economics from Strathclyde University, after which she obtained a Graduate Diploma in Accounting from Glasgow University. She is a graduate and member of the Australian Institute of Company Directors.</p> <p>Pauline will chair the Audit and Risk Committee and the Remuneration and Nomination Committee.</p>

## 6.2 Director disclosures

Each Proposed Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Director without constraint from other commitments and that he or she has the necessary skills and ability to devote the appropriate time to perform the role of director in the Company, considering, among other things, the Company’s size and its particular requirements.

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years, which is relevant or material to the performance of their duties as a Director or which is relevant to a reasonable investor’s decision as to whether to subscribe for Shares.

No Director has been an Officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an Officer or within a 12-month period after they ceased to be an Officer.

### 6.3 Senior Management and Key Employees

Key Employee	Experience and background
<b>Charles Mann</b> CEO	See Section 6.1.
<b>James Hood</b> COO	See Section 6.1.
<b>Mitch Costin</b> <b>Operations &amp; Agriculture Manager</b>	<p>Mitch joined APH in March 2018 as Operations &amp; Agricultural Relations Manager.</p> <p>Mitch has 8 years of experience in logistics and operations at a furniture, showroom and venue hire company. Prior to that Mitch had significant experience in the agricultural industry and now specialises in seed and grain logistics, agronomic relations and production and operation efficiencies for APH.</p>
<b>Raelene Wilson</b> <b>PR and Marketing Manager</b>	<p>Raelene joined APH in August 2019 as PR and Marketing Manager.</p> <p>Raelene has nearly 15 years of experience in marketing and event management, with a particular focus at generating core brand and campaign assets including content creation for videos, podcasts, blogs, social media and digital channels.</p> <p>Prior to APH, Raelene has worked with significant multi-national corporations and brands providing her marketing, sponsorship and event management expertise.</p>

### 6.4 Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- Promoter of the Company,
- holds at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:
- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or

- the Offer,

and no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or Proposed Director to induce them to become, or qualify as, a Director.

## **6.5 Executive Directors' remuneration**

### **6.5.1 Charles Mann**

The key terms of Charles Mann's executive employment agreement with the Company are as follows:

- Charles Mann is appointed as the CEO of the Company until the agreement is terminated;
- Charles Mann will be paid \$130,000 gross per annum, plus \$10,000 car allowance, expenses and entitlements (such as sick leave, holidays or superannuation payments);
- Either party may terminate this agreement (amongst other standard termination provisions) on 3 months' written notice to the other party;
- As soon as reasonably practicable following termination (for any reason), Charles Mann must resign as a director or other officer;
- Charles Mann has a standard restraint provision for a senior manager of a listed company; and
- the contract is governed by Australian law.

### **6.5.2 James Hood**

The key terms of James Hood's executive agreement with the Company are as follows:

- James Hood is appointed as the COO of the Company until the agreement is terminated;
- James Hood will be paid \$130,000 gross per annum, plus \$10,000 car allowance, expenses and entitlements (such as sick leave, holidays or superannuation payments);
- Either party may terminate this agreement (amongst other standard termination provisions) on 3 months' written notice to the other party;
- As soon as reasonably practicable following termination (for any reason), James Hood must resign as a director or other officer;
- James Hood has a standard restraint provision for a senior manager of a listed company; and
- the contract is governed by Australian law.

## **6.6 Non-executive Directors remuneration**

Under the Constitution and in accordance with Australian law, the remuneration of the Directors is set by the Shareholders, following approval by the Company's compensation committee and Board of Directors, and, subject to certain exemptions, needs to be compliant with the Company's compensation policy then in effect.

Under the ASX Listing Rules, the total amount paid to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company at a general meeting. The annual non-executive Directors' fees was recently capped at the latest AGM at \$300,000 (subject to Completion).

The Company has entered into an appointment letter with each of its Non-Executive Directors which set out the annual fees each Non-Executive Director is to be paid.

Non- Executive Director	Annual Director Fees
Cameron Petricevic	\$60,000
Pauline Gately	\$45,000 plus \$5,000 to be used for travel expenses

### 6.7 Other consultancy remuneration

APH will enter into a consultancy agreement with CGP Lucrum Pty Ltd (ACN 124 077 318) (**Consultant**) effective on Completion only. The key terms of the appointment letter with the Consultant are as follows:

- Cameron Petricevic is the Key Person of the Consultant;
- the Consultant will be paid an annual fee of \$80,000;
- The Consultant must provide the services for at least 2 days per week on average and may provide up to 3 days per week, through the term of the agreement.
- the Consultant will be involved with (amongst other things) furthering business development opportunities and providing strategic advice to APH;
- APH may terminate this agreement (amongst other ways) on 3 months' written notice to the Consultant;
- the Consultant may terminate this agreement on 1 months' written notice to APH; and
- the agreement is governed by Australian law.

### 6.8 Directors indemnity, insurance and access

The Company has entered a deed of indemnity, insurance and access with each Director customary for an ASX listed company.

Under the deed, the Company undertakes to:

- indemnify the Director in respect of certain liabilities incurred by the Director while acting as a director;
- to arrange insurance for the benefit of the Director against certain risks to which the Director is exposed as a director; and
- to regulate in certain respects the right of access the Director has to the Company's records.

### 6.9 Directors' Security holdings

The Directors are not required by the Constitution to hold any Shares. On Completion, the Directors will hold the Shares set out below either personally, or through entities associated

with the Director (excluding any Shares applied for under the Offer). Some of these Shares will be subject to escrow or trust arrangements.

The Directors are entitled to apply for Shares under the Offer (which such Shares purchased under the offer are not listed below) and have obtained conditional approval at the Company's latest AGM. The Directors' holdings immediately prior to Completion, and that are expected to be acquired in the Offer and held on Completion is outlined below, including incoming and outgoing Directors' holdings. Final Directors' Shareholdings will be notified to the ASX before listing on ASX.

Parties with Relevant Interest	Shares	Options	Total Securities	Deferred Consideration Shares	Voting Power (un-diluted) <sup>6</sup>	Voting Power (diluted) <sup>6</sup>
Charles Mann	231,000,000	28,384,615	259,384,615	69,300,000	15.2%	15.0%
James Hood	152,000,000	107,384,615	259,384,615	45,600,000	10.0%	15.0%
Cameron Petricevic <sup>1,2</sup>	99,999,996	24,338,071	124,338,067	NIL	6.6%	7.2%
Lynden Polonsky <sup>3</sup>	7,500,000	NIL	7,500,000	NIL	0.5%	0.4%
Melanie Leydin <sup>4</sup>	2,500,000	NIL	2,500,000	NIL	0.2%	0.1%
Pauline Gately <sup>5</sup>	1,000,000	NIL	1,000,000	NIL	0.1%	0.1%
<b>TOTAL</b>	<b>493,999,996</b>	<b>160,107,301</b>	<b>654,107,297</b>	<b>114,900,000</b>	<b>32.6%</b>	<b>37.8%</b>

**Notes:**

<sup>1</sup> Consideration Shares and Consideration Options that are to be issued to the M&A Advisor of which Cameron Petricevic is a related party, are set out in Section 7.9.

<sup>2</sup> Cameron Petricevic (through his nominee) intends to acquire A\$319,300 worth of Shares at the RTO Price as participation in the Offer. For more information on Cameron Petricevic's beneficial holding, please see Sections 6.9 and 7.12.

<sup>3</sup> Lynden Polonsky intends to acquire A\$75,000 worth of Shares at the RTO Price as participation in the Offer. For more information, please see Section 7.12.

<sup>4</sup> Melanie Leydin intends to acquire A\$25,000 worth of Shares at the RTO Price as participation in the Offer. For more information, please see Section 7.12.

<sup>5</sup> Pauline Gately intends to acquire A\$10,000 worth of Shares at the RTO Price as participation in the Offer. For more information, please see Section 7.12.

<sup>6</sup> Percentage of security holdings is calculated based on the assumption that all of the Deferred Consideration Shares will be issued.

**6.10 Agreements with Directors or Related Parties**

The Company's policy in respect of related party arrangements is:

- a Director with a material personal interest in a matter is required to give notice to the other Directors before such as matter is considered by the Board; and

- for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

The Company (and/or its Subsidiaries) has entered into certain related party arrangements, being:

- an exclusive supply agreement with FINOLA Australia Pty Ltd (ACN 620 400 375) (**FINOLA Australia**) for the exclusive supply of FINOLA® hemp seeds into Australia, whereby Charles Mann and James Hood are both directors and have power of control of, between them, two thirds of the shareholding in FINOLA Australia as set out in Section 9.3.10;
- certain regulatory licences, including:
  - licence to Import controlled substances granted to the CIA Mann Family Trust;
  - permit to Import controlled substances granted to the CIA Mann Family Trust, as set out in Section 0.
- a consultancy agreement with CGP Lucrum Pty Ltd (ACN 124 077 318) (**Consultant**) (whereby Cameron Petricevic has a relevant interest in the Consultant), being both the sole director/secretary and a shareholder of the Consultant, commencing on Completion as set out in Section 6.7.
- the compensation arrangements with Directors (and Proposed Directors) and consultants are set out in Section 6.
- the indemnification, insurance and access arrangements with Directors (and Proposed Directors) are set out in this Section 6.8.

#### **6.11 Other information about Directors' interests and benefits**

Directors may also be reimbursed for all reasonable out of pocket expenses incurred in carrying out their duties as a Director. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as Director of the Company or its Subsidiaries.

There are no retirement benefit schemes for Directors, other than pension contributions.

#### **6.12 Senior Management's interests and remuneration**

##### **6.12.1 Chief Executive Officer**

See Section 6.5 above.

##### **6.12.2 Chief Operations Officer**

See Section 6.5 above.

##### **6.12.3 Chief Financial Officer**

The Company has employed the services of Leydin Freyer Corp Pty Ltd (ACN 161 707 713) (**Leydin Freyer**) to continue act as Chief Financial Officer of the Company, whereby the main contact is (and will continue to be) Melanie Leydin.

Leydin Freyer is paid normal commercial rates for the company secretarial services and chief financial officer role.

The accountants, Sinclair Wilson Investment Services Pty Ltd (**Sinclair Wilson**) act as accountants for the Company.

#### 6.12.4 **Company Secretary**

The Company has employed the services of Melanie Leydin of Leydin Freyer to provide professional company secretarial services. Melanie Leydin has significant experience as a professional corporate secretary and is highly experienced in dealing with continuous disclosure requirements and reporting obligations for ASX listed entities.

For more information on the interests of the Company Secretary, please see Section 6.14.

#### 6.12.5 **Senior management service agreements**

Each senior manager in the Company has entered into an executive employment agreement with the Company, which is governed by Australian law.

These generally establish:

- base salary and a fixed amount of overtime compensation;
- a mandatory superannuation contribution;
- notice and termination provisions;
- restraint of trade provisions and payment of a certain amount of non-compete consideration (the restraints may not be enforceable under Australian law);
- certain employees are entitled to bonus compensation in accordance with industry standards;
- provisions protecting the Company's confidential information and intellectual property; and
- for employees, leave entitlements as per the applicable legislation.

### 6.13 **Equity Incentive Plan**

The key terms of the Equity Incentive Plan are summarised below.

#### 6.13.1 **Employee Rights**

Under the Equity Incentive Plan, the Company may offer or issue to eligible employees, the following Employee Rights:

- **performance rights:** a right to be issued or provided with a Share at nil issue price on specific vesting conditions being achieved;
- **options:** a right to be issued or provided with a Share on payment of an exercise price and which can only be exercised if specific vesting conditions are achieved;
- **loan shares:** Shares issued subject to a limited recourse loan and at nil interest rate, subject to specific vesting conditions;
- **deferred share awards:** Shares issued to employees:
  - who elect to receive Shares in lieu of any wages, salary, director's fees, or other remuneration; or

- by the Company in its discretion, in addition to their wages, salary and remuneration, or in lieu of any discretionary cash bonus or other incentive payment; or
- **exempt share awards:** Shares issued for no consideration or at an issue price which is a discount to the market price with the intention that up to \$1,000 (or such other amount which is exempted from tax under the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) from time to time) of the total value or discount received by each employee will be exempt from tax.

#### 6.13.2 Eligible employees

'Employee Rights' may be granted at the discretion of the Board to any person who is an employee, officer, director or consultant of a member of the 'Merged Group'.

#### 6.13.3 Price

The Board has discretion to determine the issue price and/or exercise price for the Employee Rights.

#### 6.13.4 Vesting and exercise of Employee Rights

The Employee Rights held by a participant will vest in and become exercisable by that participant upon the satisfaction of any vesting conditions specified in the offer and in accordance with the rules of the Equity Incentive Plan. Vesting conditions may be waived at the discretion of the Board.

#### 6.13.5 Change of control

In the event a takeover bid is made to acquire all of the Shares on issue, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid, the Board may waive unsatisfied vesting conditions in relation to some or all Employee Rights. Further, if a takeover bid is made to acquire all of the Shares on issue, participants may accept the takeover bid in respect of any Employee Rights (other than exempt share awards) which they hold notwithstanding the restriction period in respect of those Employee Rights has not expired.

#### 6.13.6 Claw-back

If any vesting conditions of an Employee Rights are mistakenly waived or deemed satisfied when in fact they were not satisfied, then in accordance with the terms of the Equity Incentive Plan, the Board may determine that the relevant Employee Rights expire (if not yet exercised), or it may otherwise recover from the participant some or all Shares issued upon exercise of the Employee Rights or any proceeds received from the sale of those shares.

#### 6.13.7 Variation of Share capital

If prior to the exercise of an Employee Right, Company undergoes a reorganisation of capital or bonus issue, the terms of the Company Employee Right will be changed to the extent necessary to comply with the ASX Listing Rules.

### 6.14 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- **(Lead Manager):** Kentgrove Equity Partners Pty Ltd, an Associate of Kentgrove Capital Pty Ltd (ACN 150 638 627) have acted as Lead Manager to the Offer. The Company has

paid or agreed to pay the Lead Manager the fees described in Section 9.3.1 for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, other than as disclosed in this Prospectus, the Lead Manager has not received fees from the Company for other services provided to the Company;

- **(Corporate Advisor):** Canaccord Genuity (Australia) Limited are to act as Corporate Advisor for the Company. The Company has paid or agreed to pay the Corporate Advisor the fees described in Section 9.3.9 for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, other than as disclosed in this Prospectus, the Corporate Advisor has not received fees from the Company for other services provided to the Company;
- **(Company Legal Counsel):** Holding Redlich has acted as legal adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$155,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Holding Redlich in accordance with its normal time-based charges. During the 24 months preceding lodgement of this Prospectus with ASIC, Holding Redlich has received fees from the Company for other services provided to the Company;
- **(Investigating Accountant):** RSM Corporate Australia Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report' included in Section 8 of this Prospectus and has performed work in relation to due diligence enquiries in connection with the Offer. RSM Corporate Australia Pty Ltd has also acted as Independent Expert and has prepared the Independent Expert's Report that accompanied the Notice of Meeting dispatched to ACL Shareholders. The Company has paid, or agreed to pay, approximately \$57,600 (excluding disbursements and GST) for the above services up until the Prospectus Date. Aside from those fees described in this Prospectus, during the 24 months preceding lodgement of this Prospectus with ASIC, the Investigating Accountant (or any of its Associates) has not received fees from the Company for other services provided to the Company;
- **(APH Auditor):** The partners of RSM Australia Partners (**RSM**) have acted as APH's auditor and have audited the APH statutory financial information included in Section 4 of this Prospectus. The Company has paid, or agreed to pay, normal commercial rates for these services up until the Prospectus Date. Aside from those fees described in this Prospectus, during the 24 months preceding lodgement of this Prospectus with ASIC, RSM has not received fees from APH or the Company for other services provided to APH or the Company;
- **(ACL Auditor):** Grant Thornton Audit Pty Ltd has acted as the Company's auditor and has audited the ACL statutory financial information included in Section 4 of this Prospectus. The Company has paid, or agreed to pay, normal commercial rates for these services up until the Prospectus Date. During the 24 months preceding lodgement of this Prospectus with ASIC, Grant Thornton Audit Pty Ltd has received fees from the Company for other services provided to the Company;
- **(Share Registry):** Link Market Services Limited has acted as the Share Registry to the Company. The Company has paid, or agreed to pay, normal commercial rates for the share registry services provided by Link Market Services Limited; and
- **(Company Secretary):** Melanie Leydin of Leydin Freyer Corp Pty Ltd has acted as the Company's company secretary. The Company has paid, or agreed to pay, normal

commercial rates for the company secretarial services and chief financial officer role provided by Melanie Leydin.

The Lead Manager, Corporate Advisor and their Associates from time to time and in the ordinary course of their trading, brokerage and financing activities (to the extent appropriate to each entity) may buy or sell securities issued by the Company or associated derivatives as principal or agent. Customary fees and commissions are expected to be paid for any such services in the future.

These amounts, and other expenses of the Offer, will be paid out of funds raised under the Offer or available cash (unless otherwise indicated). Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.

## 6.15 Corporate Governance

This Section explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including, approving the strategic goals of the Company and considering and approving an annual business plan, including a budget.

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, Officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes, are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released the ASX Recommendations for ASX-listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptive, but guidance. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period.

The main policies and practices adopted by the Company, which will take effect from ASX listing, are summarised below. In addition, many governance elements are contained in the Constitution. Details of the Company's key policies and practices and the charters for the Board and each of its committees will be available from Listing at [www.alchemia.net.au](http://www.alchemia.net.au).

Except as set out below, the Board does not anticipate that it will depart from the ASX Recommendations; however, it may do so in the future if it considers that such a departure would be reasonable:

- Recommendation 2.1 of the ASX Recommendations states that the remuneration and nomination committee should consist of a majority of independent directors;
- Recommendation 2.2 of the ASX Recommendations states that the board of a listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board has or is looking to achieve;
- Recommendation 2.4 of the ASX Recommendations states that the majority of the board of a listed entity should be independent directors;
- Recommendation 2.5 of the ASX Recommendations states that the chair of the board of a listed entity should be an independent director; and
- Recommendation 4.1 of the ASX Recommendations states that the audit and risk committee should consist of a majority of independent directors.

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the establishment of committees and additional corporate governance policies and structures will be reviewed.

## 6.16 Independence of Directors

In determining whether a Director is “independent”, the Board has adopted the definition of this word in the ASX Recommendations. Consequently, a Director will be considered “independent” if that Director is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, with the Board Charter to assist in this regard. The Board will regularly review the independence of each Director in light of interests disclosed to the Board and will disclose any change to the ASX, as required by the ASX Listing Rules.

The Board considers that Pauline Gately is free from any business or any other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of her judgement and so is considered an independent Director.

For the avoidance of doubt, the other Directors are deemed to be not independent given their engagement with the Company and/or their substantial securities holdings.

## 6.17 Board Charter

The Company has approved a Board Charter to apply on Listing. The Board Charter sets out:

- the composition and operation of the Board;
- the roles and responsibilities of the Board, Chair, company secretary, committees and management; and
- the delegation of authority by the Board to management and Board committees.

The Board’s role is to:

- represent and serve the interests of Shareholders by overseeing and appraising the Company’s strategies, policies and performance;
- optimise the Company’s performance and build sustainable value for Shareholders;
- set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure that Shareholders are kept informed of the Company's performance and major developments.

Matters which are specifically reserved for the Board or its committees include:

- appointment of a Chair;
- appointment and removal of the Chair, CEO and company secretary;
- ratifying the appointment and removal of senior executives;
- approving the remuneration policies and framework and determining whether the remuneration and conditions of service of senior executives are appropriate and consistent with the approved remuneration policies and framework;
- establishing and monitoring succession planning;
- setting the specific limits of authority for management;

- calling meetings of Shareholders; and
- approving criteria for assessing performance of senior executives and monitoring and evaluating their performance.

The CEO is responsible for running the day to day affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out these responsibilities, the CEO must report to the Board in a timely and clear manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

The role of management is to support the CEO and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

## **6.18 Board committees**

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

Under the Board Charter, Board committee performance evaluations will occur annually.

### **6.18.1 Audit and Risk Committee**

Pursuant to the Company's Risk Management Policy, the Company has established an Audit and Risk Committee which will be governed by the Audit and Risk Committee Charter established by the Board, which is subject to review by the Board from time to time.

Under its charter, the Audit and Risk Committee must have at least 3 members, a majority of whom (including the chair) must be independent and (to the extent applicable) all of whom are non-executive directors.

Pauline Gately will be the chair of the Audit and Risk Committee.

The roles of the Audit and Risk Committee are to:

- (a) oversee the Company's process of internal control structure, continuous disclosure, financial and non-financial risk management systems, and compliance and external audit;
- (b) provide advice to the Board and reports on the status and management of the risks to the Company, to ensure that risks are identified, assessed and appropriately managed:
  - (i) monitoring the Company's compliance with laws and regulations and the Company's codes of conduct and ethics; and
  - (ii) encouraging effective relationships with, and communication between, the Board, management and the Company's external auditor.

The Board has adopted a policy regarding the services that the Company may obtain from its auditor. It is the policy of the Company that its external auditor:

- (c) must be independent of the Company and the Directors and senior executives. To ensure this, the Company requires a formal confirmation of independence from its external auditor on an annual basis; and
- (d) may not provide services to the Company that are, or are perceived to be, materially in conflict with the role of the external auditor. Non-audit or assurance services that may impair, or appear to impair, the external auditor's judgement or independence are not appropriate. However, the external auditor may be permitted to provide additional services which are, and are not perceived to be, materially in conflict with the role of the auditor, if the Board or Audit and Risk Committee has approved those additional services.

#### **6.18.2 Remuneration and Nomination Committee**

Pursuant to the Company's Remuneration and Nomination Committee Charter, the Company has established a Remuneration and Nomination Committee, which is subject to review by the Board from time to time.

Under its charter, the Remuneration and Nomination Committee must have at least 3 members, a majority of whom (including the chair) must be independent Directors and all of whom must be non-executive Directors. In accordance with its charter, it is intended that at least one member will have expertise in remuneration.

Pauline Gately will be the chair of the Remuneration and Nomination Committee.

The main functions of the Remuneration and Nomination Committee are to assist the Board with a view to establishing a Board of effective composition, size, diversity, experience and commitment to adequately discharge its responsibilities and duties, and assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that the Company:

- (a) has coherent remuneration policies and practices which enable the Company to attract and retain executives and Directors who will create value for Shareholders, including succession planning for the Board and executives;
- (b) fairly and responsibly remunerate Directors and executives, having regard to the performance of the Company, the performance of the executives and the general remuneration environment;
- (c) has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis; and
- (d) has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet the Company's needs.

The Remuneration and Nomination Committee will meet as often as is required by its Charter or other policy approved by the Board to govern the operation of the Committee. Following each meeting, the Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Committee that requires Board approval.

### **6.19 Corporate Governance Principles and Policies**

#### **6.19.1 Code of conduct**

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct, to take effect from

listing on the ASX, to be followed by all employees, contractors and Officers. The Code of Conduct outlines the Company's policies on various matters including protection of confidential information, avoiding conflicts of interest, ethical conduct, business and personal conduct, privacy and financial integrity.

#### **6.19.2 Risk management policy**

The identification and proper management of the Company's risks are an important priority of the Board. The Board has adopted a Risk Management Policy appropriate for its business, which will ensure appropriate systems are implemented to identify material risks that may impact on the Company's business and delegate appropriate responsibilities to control any identified risk. The Policy will also ensure that any material changes to the Company's risk profile will be disclosed in accordance with the Company's Disclosure and Communication Policy.

The Board will be responsible for overseeing and approving the Company's risk management strategy and policies, monitoring risk management, and establishing procedures, which seek to provide assurance that major risks to the business are identified, assessed and appropriately addressed.

#### **6.19.3 Remuneration arrangements**

Under the Constitution, the Directors decide the total amount paid to each Director as remuneration for their services as a Director to the Company (this may be in addition to any other remuneration paid to the Director whom may also be an Officer or employee of the Company). The Directors may also choose for their remuneration to be determined by shareholders. The Company must reimburse the Directors for their reasonable expenses incurred. If a Director performs any services for the Company in the opinion of the Directors outside the ordinary duties of a Director, that Director may be paid remuneration fixed by the Directors.

However, under the ASX Listing Rules, the total amount paid to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company at a general meeting. Total annual Directors' fees agreed to be paid by the Company to its non-executive Directors (subject to Shareholder approval at the AGM) are \$300,000. These fees are inclusive of fees in respect of service on the various Committees. The Directors' fees do not include a commission on, or a percentage of, profits or income.

The Board is also responsible for, in its sole discretion, determine those Directors, employees and consultants, if any, to whom Options are to be awarded under the Equity Incentive Plan.

The Board is also responsible for approving the remuneration policies and framework and determining whether the remuneration and conditions of service of senior executives are appropriate and consistent with the approved remuneration policies and framework.

#### **6.19.4 Securities trading policy**

The Company has adopted a Securities Trading Policy which will apply to the Company and its Directors, Officers, employees and senior management, including those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly.

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in the securities of the Company that is prohibited and establish procedures in relation to Directors, senior management or employees dealing in the securities.

Subject to certain exceptions, including exceptional financial circumstances, the Securities Trading Policy defines certain “closed periods” during which trading in securities of the Company by the Directors, Officers and certain employees is prohibited.

Outside of these periods, Directors, senior management and certain employees must receive clearance for any proposed dealing in securities of the Company. In all instances, buying or selling securities of the Company is not permitted at any time by any person who possesses price-sensitive information concerning the Company.

#### **6.19.5 Disclosure and Communication Policy**

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to immediately disclose to the ASX any information concerning the Company which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of the Company's securities, once the Company is aware of such information. The Company is committed to observing its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a Disclosure and Communication Policy to take effect from ASX listing, which establishes procedures to ensure that Directors and senior management are aware of, and fulfil their obligations in relation to continuous disclosure, including the timely, full and accurate disclosure of material price-sensitive information when required. The Disclosure and Communication Policy also sets out procedures for communicating with Shareholders, the media and the market. Under the Disclosure and Communication Policy, the Disclosure and Communication Committee Company Secretary will be primarily responsible for managing the Company's compliance with its continuous disclosure obligations, with the Company Secretary responsible for Shareholder, media and market communications. The Board will carry out the functions for the Disclosure and Communication Committee until the Board considers it appropriate to establish the committee.

#### **6.19.6 Diversity Policy**

The Company has adopted a Diversity Policy to promote diverse skills, values, experiences, backgrounds and attributes including those gained on account of their gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity in the Company's workforce. Under the Diversity Policy, the Board will be ultimately responsible for managing the Company's compliance with this policy. The management will annually monitor, review and report to the Board on the strategies, key initiatives, programs and objectives of the Diversity Policy with the view to meeting its diversity obligations under the ASX Corporate Governance Principles and Recommendations.

#### **6.19.7 Communications with Shareholders**

The Board aims to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and that Shareholders are properly informed of all major developments affecting the affairs of the Company. The Company is required by law to communicate to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on the Company's website, [www.alchemia.net.au](http://www.alchemia.net.au).

The Company's website will also contain information about the Company, including media releases, key policies and the charters of Board committees.

## 7. Details of the Offers

### 7.1 Overview

This Prospectus relates to the Offers and the Acquisition. The Offers comprise of:

- the Offer (Section 7.2);
- the Convertible Offer (Section 7.3); and
- the Sellers Offer (Section 7.4).

The Offers are made on the terms, and are subject to the conditions, set out in this Prospectus. All Shares issued under the Offers will rank equally with each other.

The Offers are made to complete the Acquisition and to raise the necessary funds required by the Company, and will be applied towards the Company's working capital requirements following Completion.

### 7.2 The Offer

The Company is undertaking an offer of 570,000,000 New Shares (on a pre-Consolidation basis) at the RTO Price (on a pre-Consolidation basis) to raise \$5.7 million (**Offer**). The Shares issued under this Prospectus will represent approximately 33% of Shares on issue upon Completion (on a fully diluted basis and including the issue of the Deferred Consideration Shares). At Completion (and on a post-Consolidation basis) this will equate to 28,500,000 Shares issued under the Offer at a price per Share of \$0.20.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus. All Shares will rank equally with each other.

The Offer is made to raise the necessary funds required by the Company and will be applied towards the Company as set out in Section 7.6. No funds will be raised under the Prospectus other than in relation to the Offer.

Please refer to the Important Dates on page 11 of the Prospectus for the Opening Date and Closing Date for the Offer and please refer to Section 7.16 for details on how to apply for Shares pursuant to the Offer.

The Company agrees to pay the Lead Manager an equity raising fee of 6.0% plus GST of all capital raised under the Offer.

### 7.3 Convertible Offer

APH entered into an unsecured convertible note deed poll (**Note Deed Poll**) and a subscription agreement with Interdale Pty Ltd and John Anthony McIntosh, both unrelated parties of APH and the Company (each a **Noteholder**) for the issue of 800,000 unsecured convertible notes on issue (**Notes**) at a price per Note of A\$1.00, in consideration for raising in aggregate A\$800,000 (**Convertible Offer**). The terms of the Notes include (but are not limited to) zero interest being paid on the Notes and a conversion price of the Notes equal to the RTO Price (zero discount to the RTO Price). The Convertible Offer is made on the terms, and is subject to the conditions, set out in Section 9.3.6 of this Prospectus.

These funds were used solely to purchase hemp grain commitments from APH's contracted growers. No further funds will be raised from the Convertible Offer.

The Convertible Offer is made solely to the Noteholders, and is not available to the public.

The Company will issue 80,000,000 Shares (on a pre-Consolidation basis) in aggregate at the RTO Price to the Noteholders under the Convertible Offer. At Completion (and on a post-Consolidation basis) this will equate to 4,000,000 Shares issued under the Convertible Offer.

These Notes are the only outstanding convertible debt securities on issue at the date of this Prospectus and none of the Noteholders will, upon the conversion of the Notes and the issue of Shares, hold more than 5.8% of the Shares immediately following Recompliance. All Shares will rank equally with each other.

The Company agrees to pay Kentgrove Equity Partners Pty Ltd an equity raising fee of 6.0% plus GST of all capital raised under the Convertible Offer.

#### **7.4 Sellers Offer**

The Company has entered into the Share Sale Agreement.

This Prospectus includes an offer of 435,000,000 Consideration Shares (on a pre-Consolidation basis) to the Sellers in consideration for the Acquisition.

As outlined in Section 3.2, the Company will issue 70% of the Consideration Shares to the Sellers, being 304,500,000 Shares (on a pre-Consolidation basis). The Deferred Consideration Shares will not be issued until after the Deferred Period.

In addition, the Company will issue 153,846,154 Consideration Options to the Sellers.

The Sellers Offer is solely made to the Sellers and is not available to the public.

No funds will be raised from the Sellers Offer.

#### **7.5 Purpose of the Offer**

The purpose of the Offer is to:

- facilitate the Company's application for admission to the Official List;
- raise up to \$5.7 million (before deduction of costs) pursuant to the Offer; and
- provide a liquid market for Shares and an opportunity for new Shareholders to invest in the Company.

A summary of the budgeted intended use of the funds is set out in Section 7.6 below.

#### **7.6 Use of Offer proceeds**

The total gross proceeds of the Offer will be equal to the number of Shares issued under the Offer multiplied by the RTO Price.

The funds raised under the Offer are expected to be allocated over the first 24 months following Listing as follows:

<b>Proposed Use of Funds</b>	<b>Capital (\$)</b>	<b>%</b>
Build-up of inventory (including hemp seed and finished hemp grain product)	\$2,200,000	38.6%
Acquisition of new equipment for expansion	\$1,000,000	17.5%
Operating expenses	\$500,000	8.8%
Loan repayments <sup>1</sup>	\$365,000	6.4%

Proposed Use of Funds	Capital (\$)	%
Expenses of the Offer	\$650,000	11.4%
Working Capital	\$985,000	17.3%
<b>TOTAL</b>	<b>\$5,700,000</b>	<b>100.0%</b>

**Notes:**

<sup>1</sup> The loan repayments include the loan from a Seller with a balance of \$260,000 and the satisfaction of a debt owing to the DR Hood Family Trust, a related party of James Hood, amounting to \$105,000 both to be repaid immediately following Completion.

The Directors believe that the Company's current cash reserves plus the net proceeds of the Offer will be sufficient to fund the Company's key objectives as set out in this Prospectus through to September 2021.

The Company projects that it will have at least \$2.85 million in funds 12 months following the Company's listing.

The above table is a statement of current intentions as of the Prospectus Date. As with any budget, intervening events (including commercialisation success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis. It should also be noted that there may be differences between estimated and actual costs, because events and circumstances frequently do not occur as expected and those differences may be material. In this regard, you should read carefully and consider the risk factors set out in Section 5 of this Prospectus.

## 7.7 Options

The Company will issue the following Options:

Recipient	Options	Diluted (%) <sup>1</sup>
Consideration Options <sup>2</sup>	184,268,743	10.7%
Options issued to Corporate Advisor <sup>3</sup>	22,816,942	1.3%
<b>TOTAL OPTIONS</b>	<b>207,085,685</b>	<b>12.0%</b>

**Notes:**

<sup>1</sup> Percentage of security holdings is calculated based on the assumption that all of the Deferred Consideration Shares will be issued.

<sup>2</sup> Consideration Options includes the 153,846,154 Options to be issued the Sellers (or their nominees) as well as the 30,422,589 Options to be issued to the M&A Advisor. For more information on the terms of the Options, please see Section 9.3.3 for which this table assumes that those options in APH have been fully exercised as at the date of Recompliance (subject to escrow for 24 months from Official Quotation).

<sup>3</sup> Please see Section 9.3.9 for more information on the Options to be issued to the Corporate Advisor.

A summary of the key terms of the Options issued to Sellers is set out in Section 9.3.3.

#### **7.8 Shareholder loan**

A Seller has provided a loan to APH amounting to \$270,000. As at the date of this Prospectus, \$260,000 of this loan has not been repaid. If the balance of the loan is not repaid by APH at (or immediately prior to) Completion, the balance of the loan will be repaid out of working capital immediately following Completion.

The funds from this loan were predominantly used to purchase hemp grain commitments from APH's contracted growers (as well as to purchase hemp seed).

#### **7.9 M&A Advisor Securities**

On Completion, the Company will issue the Consideration Shares of an amount equal to A\$650,000 (being, 3,250,000 Consideration Shares (on a post-Consolidation Basis) and Consideration Options equal to 2% of the total issued capital of the Company following the Offer (being, 1,521,129 Options (on a post-Consolidation basis) to the M&A Advisor).

#### **7.10 Corporate Advisor Securities**

On Completion, the Company will issue Shares of an amount equal to A\$400,000 (being, 2,000,000 Shares (on a post-Consolidation Basis) and Options equal to 1.5% of the total issued capital of the Company following the Offer (being, 1,140,847 Options (on a post-Consolidation basis) to the Corporate Advisor).

#### **7.11 Existing Shareholders**

Following the Completion, Existing Shareholders will hold 23.4% of the Company's total Share capital (excluding the issue of the Deferred Consideration Shares) and 18.8% of the Company's total issued capital on a fully diluted basis (and assuming that all of the Deferred Consideration Shares are issued).

#### **7.12 Director and officer participation in the Offer**

The current and proposed Directors and officers will participate in the Offer up to the following amounts:

- Cameron Petricevic (or nominee) intends to acquire up to A\$319,300 worth of Shares;
- Lynden Polonsky (or nominee) intends to acquire up to A\$75,000 worth of Shares;
- Melanie Leydin (or nominee) intends to acquire up to A\$25,000 worth of Shares; and
- Pauline Gately (or nominee) intends to acquire up to A\$10,000 worth of Shares,

together, the Capital Raising Shares.

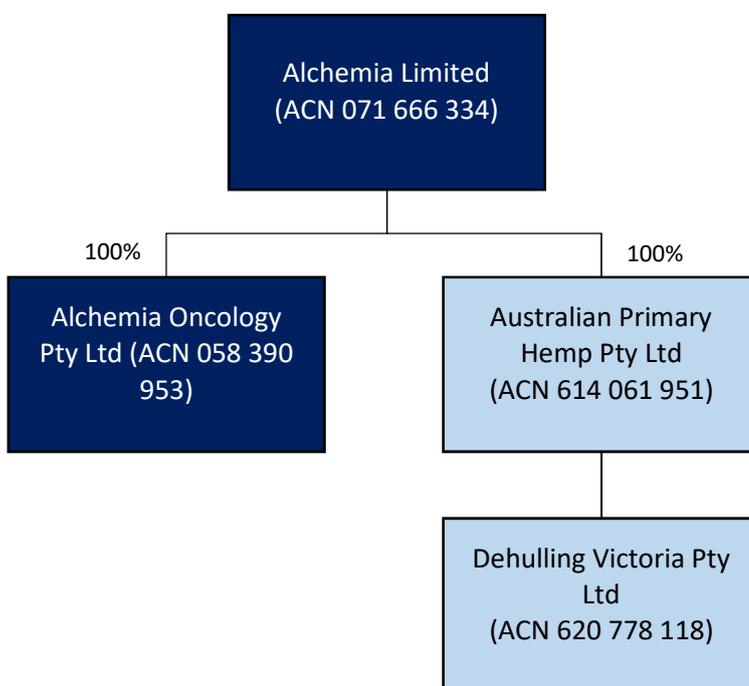
The voting power following Recompliance for each of the Directors and Proposed Directors is set out in Section 6.9.

#### **7.13 Sellers**

Following the Completion, the Sellers will hold 21.9% of the Company's total Share capital (excluding the issue of the Deferred Consideration Shares) and 34.1% of the Company's total issued capital on a fully diluted basis.

## 7.14 Corporate structure of Alchemia

The structure of Alchemia as at Completion will be:



As at the date of this Prospectus, APH has commenced voluntarily deregistering Dehulling Victoria Pty Ltd.

## 7.15 Substantial Shareholders

Those Shareholders holding or controlling 5% or more of the Shares on issue following Completion are set out below:

Name	Relationship to Company	Number of Securities	Voting Power (undiluted) <sup>2</sup>	Voting Power (diluted) <sup>2</sup>
Charles Mann	Proposed Director	259,384,615	15.2%	15.0%
James Hood	Proposed Director	259,384,615	10.0%	15.0%
Cameron Petricevic <sup>1</sup>	Director	124,338,067	6.6%	7.2%
<b>TOTAL</b>		<b>643,107,297</b>	<b>31.8%</b>	<b>37.2%</b>

### Notes:

<sup>1</sup> Assuming that Cameron Petricevic (or nominee) subscribes for all his Shares under the Offer as per the AGM resolution.

<sup>2</sup> Percentage of security holdings is calculated based on the assumption that all of the Deferred Consideration Shares will be issued.

The Company will announce to the ASX details of its top 20 Shareholders (following Completion) prior to the Shares commencing trading on ASX.

## **7.16 How to Apply**

All applications for Shares under the Offers must be made in accordance with this Section 7.16.

### **(a) Offer**

Applications for New Shares under this Prospectus may only be made on the Offer Application Form attached to and forming part of this Prospectus. Please read the instructions on the Application Form carefully before completing it.

### **(b) Convertible Offer**

The Convertible Offer is made solely to, and is only capable of acceptance by, the Noteholders.

A personalised application form will be provided to each Noteholder, together with a copy of this Prospectus.

### **(c) Sellers Offer**

The Sellers Offer is made solely to, and only capable of acceptance by, the Sellers. A personalised application form will be provided to each Seller together with a copy of this Prospectus.

## **7.17 Discretion regarding the Offer**

The Company may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants or bidders. If the Offer, or any part of it, does not proceed, all relevant application monies will be refunded (without interest).

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

## **7.18 Financial and other information about Alchemia**

The Company's Pro Forma Historical Statement of Financial Position following Completion, including details of the pro forma adjustments, is set out in Section 4.

The Company's capitalisation and indebtedness before and following Completion are set out in Section 4.

The Directors believe that, on Completion, the Company will have sufficient funds available to fulfil the purposes of the Offer and meet its stated business objectives.

## **7.19 New Shares on a post-Consolidation basis**

For the purposes of comparisons in this Prospectus, the majority of the figures in this Prospectus are on a pre-Consolidation basis.

Notwithstanding this, if you fill out the Application Form to apply for New Shares and are allocated a parcel of New Shares, those Shares will be issued on a post-Consolidation basis. Note that all trading of Shares will take place on a post-Consolidation basis.

## 7.20 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in Alchemia Limited ACN 071 666 334).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them is set out in Section 7.27.
What is the consideration payable for the New Shares?	\$0.20 per New Share, being the RTO Price.
What is the Offer period?	The Important Dates, including the details of the Offer period, are set on page 11 of the Prospectus.
What are the cash proceeds to be raised?	\$5.7 million.
What is the minimum and maximum Application size under the Offer?	The minimum Application size under the Offer is \$2,000, being an Application for 10,000 Shares (on a post-Consolidation basis), then in multiples of \$500. There is no maximum Application size under the Offer.
How to pay?	Applicants under the Offer must pay their Application Monies in accordance with instructions on the Application Form.
What is the allocation policy?	The allocation of Shares under the Offer will be determined by agreement between the Company and Lead Manager.
When will I receive confirmation whether my Application has been successful?	It is expected that initial holding statements will be mailed by standard post on or about Tuesday, 8 October 2019.
Will the Shares be quoted?	<p>The Company will apply for admission to the Official List and Official Quotation of its Shares under the code "<b>APH</b>".</p> <p>Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by us from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX</p>

Topic	Summary
	may admit us to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on the ASX will commence on Monday, 30 September 2019 on a deferred settlement basis.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares.</p> <p>Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of allocation from the Share Registry, by a broker or otherwise.</p>
Is the Offer underwritten?	The Offer is not underwritten.
Are there any escrow arrangements?	<p>Yes. Details are provided in Section 7.23.</p> <p>Shares issued under the Offer will not be subject to any escrow arrangements.</p>
Have any ASX confirmations been obtained or relied on?	Yes. Details of the ASX confirmations are provided at Section 7.25.
Have any ASIC modifications been obtained or relied on?	Yes. Details of the ASIC relief was provided at Section 7.24.
Are there any taxation considerations?	Yes. Please refer to Section 9.4.2 and note it is recommended that all potential investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p> <p>See Section 9.3.1 for details of the fee payable by the Company to the Lead Manager.</p>
What should I do with any enquiries?	<p>Enquiries in relation to this Prospectus may be directed to Melanie Leydin on +61 3 9692 7222 or mleydin@leydinfreyer.com.au.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

## **7.21 Restrictions on distribution**

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit an offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act laws and any other applicable securities laws.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

## **7.22 Acknowledgements**

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) accompanying the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that once the Company receives an Application Form it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued up to the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;

- authorised the Company and the Lead Manager and their respective Officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends;
- acknowledged that any dividends paid by the Company may be franked, unfranked or only partially franked and that the unfranked portion of any such dividends may not attach conduit foreign income;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not investment advice or taxation advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs of the Applicant(s); and
- declared that the Applicant(s) is/are a resident of Australia.

### 7.23 Restricted Securities

Subject to the Company being re-admitted to the Official List, certain Securities on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 12 months from the date of issue or 24 months from the date of Official Quotation.

Following Completion, the following restrictions will apply to Shares and Options:

Escrow Position	Restricted Securities <sup>1</sup>	Undiluted (%) <sup>2</sup>	Diluted (%) <sup>2</sup>
<b>ASX Mandatory Escrow</b>			
Total Shares escrowed for 12 months from date of issue	441,405,828	29.0%	25.5%
Total Options escrowed for 12 months from date of issue	153,846,155	N/A	8.9%
Total Shares escrowed for 24 months from Official Quotation	105,000,000	6.9%	6.1%
Total Options escrowed for 24 months from Official Quotation	53,239,531	N/A	3.0%
<b>Voluntary Escrow</b>			
Total Shares escrowed for 24 months from date of issue <sup>3</sup>	441,405,828	29.0%	25.5%
Total Options escrowed for 24 months from date of issue <sup>4</sup>	153,846,154	N/A	8.9%

**Notes:**

<sup>1</sup> All securities are set out in this table on a pre-Consolidation basis.

<sup>2</sup> Percentage of security holdings is calculated based on the assumption that all the Deferred Consideration Shares will be issued.

<sup>3</sup> Notwithstanding the 435,000,000 Consideration Shares to be issued to the Sellers under Section 7.4 as well as the 6,405,828 Shares to be issued as part of a debt conversion being

*mandatorily escrowed by ASX for 12 months from the date of issue, these Shares are subject to voluntary escrow for a period of 24 months from the date of Reconciliation.*

*<sup>4</sup> Notwithstanding the Consideration Options to be issued to the Sellers under Section 7.4 to be mandatorily escrowed by ASX for 12 months from the date of issue, the Consideration Options are subject to voluntary escrow for a period of 24 months from the date of Reconciliation.*

Shares to be issued to the M&A Advisor and the Corporate Advisor equating to an aggregate amount of 105,000,000 Shares will be subject to ASX mandatory escrow for a period of up to 24 months following Official Quotation.

Options to be issued to the M&A Advisor and the Corporate Advisor equating to an aggregate amount of 53,239,531 Options will also be subject to ASX mandatory escrow for a period of up to 24 months following Official Quotation.

The total number of actual quoted Shares at Reconciliation is 974,723,621 Shares (on a pre-Consolidation basis) or 48,736,181 Shares (on a post-Consolidation basis).

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Shares commencing trading on ASX.

This escrow position on Shareholders may limit the liquidity of the market for the Shares during this relevant escrow periods.

#### **7.24 ASIC relief**

Pursuant to Section 606 of the Corporations Act a person must not acquire a relevant interest in issued voting shares in a company if that company is a public company with more than 50 shareholders (which the Company will have when listed). The Company has sought relief in respect of Section 606 of the Corporations Act consistent with the principles published in ASIC Regulatory Guide 5 on the basis that, 441,405,828 Consideration Shares are being voluntarily escrowed (**Voluntary Escrow Shares**) and these would amount to 25.5% of the fully diluted issued capital of the Company (assuming all other equity securities (including Deferred Consideration Shares) are converted into Shares).

As a result of such voluntary escrow arrangements, the Company would acquire a relevant interest of more than 20% of the voting shares of the Company.

#### **7.25 ASX Confirmations and Waivers**

The Company has received the following confirmations from the ASX as at the Prospectus Date:

- The Company's structure and operations are appropriate for the purposes of Listing Rules 1.1 Condition 1 and 1.19.
- The Company does not require shareholder approval as Listing Rule 10.11 does not apply to shares subscribed for by directors under the Offer.
- The Company will not be required to advertise its allocation policy in newspapers as there is no general public offer.
- The Company's Constitution is acceptable to ASX.

The Company has received waivers from the ASX with regards to the following ASX Listing Rules:

- Listing Rule 7.3.2; and
- Listing Rule 10.3.3,

on the following conditions as set out below:

(a) Listing Rule 7.3.2

ASX has granted a waiver from Listing Rule 7.3.2 to the extent necessary to permit this Notice seeking Shareholder approval for the issue of the Deferred Consideration Shares not to state that the Deferred Consideration Shares will be issued no later than 3 months after the date of the AGM, on the following conditions:

- the Deferred Consideration Shares are issued no later than 31 December 2020;
- for any annual reporting period during which the Deferred Consideration Shares are issued or any of them remain to be issued, the Company's annual report sets out in detail the number of Deferred Consideration Shares issued during the reporting period, the number that remain to be issued and the basis on which they may be issued;
- in any half year or quarterly report for a period during which the Deferred Consideration Shares are issued or remain to be issued, the Company includes a summary statement of the number issued during the reporting period, and the number that remain to be issued and the basis on which they may be issued; and
- the full terms and conditions of the Deferred Consideration Shares as well as the conditions of this ASX waiver are clearly disclosed in this Notice and in the Prospectus.

(b) Listing Rule 10.3.3

ASX has granted a waiver from Listing Rule 10.3.3 to the extent necessary to permit the Company to issue the Shares and Options to the M&A Advisor and the Capital Raising Shares later than one month after the date of the AGM, on the following conditions:

- the Shares and Options to be issued to the M&A Advisor and the Capital Raising Shares must be issued no later than three months after the date of the AGM;
- the Shares and Options to be issued to the M&A Advisor and the Capital Raising Shares are issued pursuant to the relevant terms and conditions set out in the Notice issued for the AGM;
- the circumstances of the Company, as determined by ASX, have not materially changed since the Company's shareholders approved the issue of the Shares and Options to the M&A Advisor and the Capital Raising Shares; and
- the terms of this ASX waiver are clearly disclosed in the Notice and in the Prospectus.

## **7.26 ASX listing, registers and holding statements**

### **7.26.1 Reconciliation with ASX for Listing and Official Quotation of Shares**

The Company will apply to the ASX for admission to the Official List and Official Quotation of its Shares (which is expected to be under the code "APH").

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription under this Prospectus.

If permission is not granted for the Official Quotation of its Shares within three months after such application is made (or any later date permitted by law), all application monies received by the Company will be refunded without interest as soon as practicable.

Subject to certain conditions (including any waivers obtained by us from time to time), the Company will be required to comply with the ASX Listing Rules.

#### **7.26.2 CHESS and issuer sponsored holdings**

The Company will apply to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Shareholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

#### **7.26.3 Deferred settlement trading and selling Shares on market**

It is expected that trading of the Shares on the ASX will commence on or about 30 September 2019 on a deferred settlement basis.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Share Registry or confirmed your firm allocation through a broker.

### **7.27 Description of Shares**

#### **7.27.1 Introduction**

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution of the Company; and
- in certain circumstances, regulated by statute, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is re-admitted to the Official List.

#### **7.27.2 Voting at a general meeting**

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to one vote for each fully paid Share held.

#### **7.27.3 Meetings of members**

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. At least 28 days' notice of a meeting must be given to Shareholders.

#### **7.27.4 Dividends**

Subject to the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the Constitution, the Board may determine that a dividend is payable on Shares. The Board may fix the amount of the dividend, the time for determining entitlements to the dividend and the time and the method of payment of the dividend.

#### **7.27.5 Transfer of Shares**

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required to by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

#### **7.27.6 Issue of further shares**

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Company may issue, or grant options in respect of, or otherwise dispose of, further shares on such terms and conditions as the Directors resolve.

#### **7.27.7 Winding up**

Subject to the Constitution, the Corporations Act and any special resolution or preferential rights or restrictions attached to any class or classes of shares, members will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the Shares held by them.

#### 7.27.8 **Unmarketable parcels**

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

#### 7.27.9 **Share buy-backs**

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Company may buy back shares in itself on terms and at times determined by the Board.

#### 7.27.10 **Proportional takeover provisions**

The Constitution contains provisions requiring Shareholder approval before any proportional takeover bid can proceed. These provisions will cease to apply unless renewed by special resolution of the Shareholders in a general meeting by the third anniversary of the date of the Constitution's adoption.

#### 7.27.11 **Variation of class rights**

At present, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

In either case, in accordance with the Corporations Act, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

#### 7.27.12 **Directors - appointment and removal**

Under the Constitution, the minimum number of Directors that may comprise the Board is 3 and the maximum may not be more than 10. Directors are elected at general meetings of the Company.

The Directors may appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

While the Company is re-admitted to the Official List, (unless appointed for a shorter term) each Directors shall serve in office until the third annual general meeting after the annual general meeting in which such Director was appointed, in which such later annual general meeting the Directors will be brought for re-election (or replacement). Notwithstanding this, in each AGM, only one Director whose service term lapsed will be brought for re-election, and all other Directors whose service term lapsed shall be deemed to have been re-elected for a term until the next AGM. The Director which is to be re-elected (a "Nominee") shall be the Director that served the longest period since its appointment or last re-election or, if more than one Director served the longest time, at the Board of Directors meeting which sets the date and agenda for the AGM, the Board of Directors (acting by a simple majority) will decide which of such Directors will be brought for re-election at the relevant general meeting of Shareholders.

#### 7.27.13 **Directors - voting**

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the Chair of the meeting has a casting vote.

#### 7.27.14 **Directors - remuneration**

The Directors, other than the executive Directors, shall be paid by way of fees for services, with the maximum aggregate sum approved from time to time by the Company in a general meeting or, until so determined, as the Board determines. The current maximum aggregate sum approved by the Board is (subject to Shareholder approval at the AGM) \$300,000.

Any change to that maximum aggregate sum needs to be approved by Shareholders. The Constitution also makes provision for the Company to pay all reasonable expenses incurred by Directors in attending meetings or otherwise in connection with the business of the Company. Subject to the Corporations Act and the Constitution, remuneration of executive Directors shall be the amount that the Board decides.

#### 7.27.15 **Directors - powers and duties**

The Directors have the power to manage the business of the Company and may exercise all powers which are not expressly required by law, the ASX Listing Rules or the Constitution to be exercised by the Company in a general meeting.

#### 7.27.16 **Indemnities**

The Company, to the extent permitted by law, indemnifies each of its Directors and Secretaries (past and present) against any liability incurred by that person as an Officer of the Company or one of its Subsidiaries and certain legal costs incurred by that person (on a solicitor-and-customer basis). The Company, to the extent permitted by law, may make a payment (whether by way of an advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person (on a solicitor-and-customer basis).

The Company, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring any Director or Secretary of the Company or its Subsidiaries against any liability incurred by such person as an Officer of the Company or its Subsidiaries and certain legal costs incurred by that person (on a solicitor-and-customer basis). The Company, to the extent permitted by law, may enter into an agreement or deed with a Director or a person who is, or has been, an Officer of the Company or its Subsidiaries, under which the Company must do all or any of the following:

- keep books of the Company and allow either or both that person and that person's advisers access to those books on the terms agreed;
- indemnify that person against any liability and certain legal costs incurred by that person (on a solicitor-and-customer basis);
- make a payment (whether by way of advance, loan or otherwise) to that person in respect of certain legal costs incurred by that person (on a solicitor-and-customer basis); and
- keep that person insured in respect of any act or omission by that person while an Officer of the Company or a Subsidiary of the Company, on the terms agreed (including as to payment of all or part of the premium for the contract of insurance).

#### 7.27.17 **Amendment**

The Constitution can only be amended by special resolution passed by at least three-quarters of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

## **8. Investigating Accountant's Report**

**RSM Corporate Australia Pty Ltd**

Level 21, 55 Collins Street Melbourne VIC 3000  
PO Box 248 Collins Street West VIC 8007

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F +61(0) 3 9286 8199

[www.rsm.com.au](http://www.rsm.com.au)

3 September 2019

The Board of Directors  
Alchemia Limited  
142 Manifold Street  
Camperdown VIC 3260

Dear Directors

## INVESTIGATING ACCOUNTANT'S REPORT

### Independent Limited Assurance Report on Alchemia Limited's and Australian Primary Hemp Pty Ltd's statutory historical financial information and pro forma historical financial information

We have been engaged by Alchemia Limited ("Alchemia" or "the Company") to report on certain statutory historical financial information and pro forma financial information for inclusion in a Prospectus dated on or about 3 September 2019.

The Prospectus relates to the Company's proposed acquisition of a 100% equity interest in Australian Primary Hemp Pty Ltd ("APH") through the issue of shares and the associated capital raising to raise \$5.7 million ("Offer").

Expressions and terms defined in the Prospectus have the same meaning in this report.

### Scope

#### *Statutory Historical Financial Information*

You have requested RSM Corporate Australia Pty Ltd ("RSM") to review the statutory historical financial information of APH and Alchemia included in Section 4 of the Prospectus, comprising:

- the audited statutory income statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019;
- the audited statutory historical cash flow statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019;
- the audited statutory historical statement of financial position of APH as at 30 June 2019; and
- the audited statutory historical consolidated statement of financial position of Alchemia as at 30 June 2019,

collectively "the Statutory Historical Financial Information".

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The Statutory Historical Financial Information of APH has been extracted from the audited general purpose financial statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019, which were audited by RSM Australia Partners.

RSM Australia Partners has issued qualified audit opinions on these financial statements. The audit reports were qualified on the basis that RSM Australia Partners was appointed as auditors of APH on 26 April 2019 and, therefore, did not observe the counting of the physical inventories at 30 June 2017 or 30 June 2018. RSM Australia Partners was unable to satisfy itself by alternative means concerning inventory quantities held at 30 June 2017 or 30 June 2018. Since opening and closing inventories enter into the determination of the financial performance and cash flows of each period, RSM Australia Partners was unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

The Statutory Historical Financial Information of Alchemia has been extracted from the audited general purpose financial statements of Alchemia for the year ended 30 June 2019, which were audited by Grant Thornton Audit Pty Ltd and on which an unqualified audit opinion was issued.

The Statutory Historical Financial Information of Alchemia and APH has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Alchemia and APH's adopted accounting policies.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

#### *Pro Forma Historical Financial Information*

You have requested RSM to review the pro forma historical financial information included in Section 4 of the Prospectus and comprising:

- the pro forma historical income statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019;
- the pro forma historical cash flow statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019;
- the pro forma historical consolidated statement of financial position of APH as at 30 June 2019; and
- the pro forma adjustments as described in Section 4 of the Prospectus,

collectively referred to as "the Pro Forma Historical Financial Information".

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of APH and Alchemia, adjusted for the transactions/adjustments summarised in Section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement requirements of Australian Accounting Standards and APH's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information.

Due to its nature, the Pro Forma Historical Financial Information does not represent Alchemia's or APH's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

### **Directors' responsibility**

The directors of Alchemia are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information; and
- the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information and the Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

### **Our responsibility**

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

We made such enquiries, primarily of persons responsible for financial and accounting matters, and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a consistency check of the application of the stated basis of preparation, to the Statutory Historical Financial Information and Pro Forma Historical Financial Information;
- a review of Alchemia's and APH's work papers, accounting records and other supporting documents;
- enquiry of directors, management personnel and advisors; and
- the performance of analytical procedures applied to the Statutory Historical Financial Information and Pro Forma Historical Financial Information.

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 reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as source of the financial information.

## Conclusions

### *Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of Alchemia and APH, as described in Section 4 of the Prospectus, and comprising:

- the audited statutory income statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019;
- the audited statutory historical cash flow statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019;
- the audited statutory historical statement of financial position of APH as at 30 June 2019; and
- the audited statutory historical consolidated statement of financial position of Alchemia as at 30 June 2019,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

### *Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Section 4 of the Prospectus, and comprising:

- the pro forma historical income statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019;
- the pro forma historical cash flow statements of APH for the eleven months ended 30 June 2017 and the years ended 30 June 2018 and 30 June 2019;
- the pro forma historical consolidated statement of financial position of APH as at 30 June 2019; and
- the pro forma adjustments as described in Section 4 of the Prospectus,

is not presented fairly in all material aspects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

## Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

**Declaration of Interest**

RSM Corporate Australia Pty Ltd does not have any interest in the outcome of this transaction other than the preparation of this report for which normal professional fees will be received.

Yours faithfully



**RSM CORPORATE AUSTRALIA PTY LTD**

**Andrew Clifford**  
Director

## **9. Additional Information**

### **9.1 Registration**

Alchemia Limited (ACN 071 666 334) is an Australian public company that was incorporated on 2 November 1995 in Queensland, Australia.

### **9.2 Company tax status and financial year**

The Company is and will be subject to tax at the Australian corporate tax rate.

The Company's financial year ends on 30 June annually.

### **9.3 Material contracts**

The Directors consider that there are a number of contracts which are significant or material to Alchemia or are of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries are included for the information of potential investors in the Offer but do not purport to be complete and are qualified by the text of the contracts themselves.

#### **9.3.1 Lead Manager Mandate**

The Lead Manager mandate sets out the terms and conditions on which the Lead Manager will act as the sole Lead Manager to the Reconciliation.

The Company agrees to pay to the Lead Manager an equity raising fee of 6.0% plus GST of all capital raised under the Offer.

#### **9.3.2 APH Mandate**

The APH mandate entered into by the M&A Advisor sets out the terms and conditions on which the M&A Advisor will provide M&A advisory services to APH.

The M&A Advisor, under this mandate, paid a grant to APH to participate in the following investment opportunity:

- **(Consideration Shares):** The first part of the investment opportunity affords the M&A Advisor (or its nominees) the opportunity to be issued options in APH that convert into Sale Shares as part of the Share Sale Agreement. The M&A Advisor will accede to the Share Sale Agreement and ACL will acquire all of the Sale Shares in consideration for the issuance of the Consideration Shares. The value of the Consideration Shares will be \$650,000 at the RTO Price (and will be subject to escrow for 24 months from Official Quotation).
- **(Consideration Options):** The second part of the investment opportunity affords the M&A Advisor (or its nominees) the opportunity to be issued options in APH that convert into Options as part of the Share Sale Agreement. The M&A Advisor will accede to the Share Sale Agreement and ACL will acquire all of these options in consideration for the issuance of the Consideration Options. The value of the Consideration Options will be 2.0% of the total issued capital of the Company with a strike price of 30% above the RTO Price, with a 3-year expiry term (commencing from the date of Reconciliation and subject to escrow for 24 months from Official Quotation).

Other key material terms of this mandate are as follows:

- The options to be issued in APH can only convert upon Completion occurring before 23 November 2019 or otherwise, expires worthless.
- Notwithstanding the investment opportunity afforded to the M&A Advisor for the subscription of Consideration Shares and Consideration Options as set out above, the engagement with the M&A Advisor has come to an end.

### 9.3.3 Terms of the Options issued under this Prospectus

The Options to be issued to the Sellers under the Share Sale Agreement, the M&A Advisor under the M&A Advisor mandate, and the Corporate Advisor under the Corporate Advisor mandate are all issued on the following terms:

- (a) **(Conversion)** Each option may be converted into at least one Share in the Company prior to the expiry date of the options.
- (b) **(Expiry)** The options expire 36 months from the date on which they are issued if not exercised.
- (c) **(Exercise Price)** The exercise price per option is 30% above the RTO Price.
- (d) **(Participation in new issues)** The holders are not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the 'Record Date' for determining entitlements to the new issue of securities and participate as a result of holding Shares.
- (e) **(Reorganisation of capital)** If there is a reorganisation of capital then the rights of the holder (including the number of Options to which the holder is entitled to and the exercise price) will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (f) **(Exercise Period)** The Options are exercisable at any time on or prior to the Expiry Date, but only after the 24-month voluntary escrow period **(Exercise Period)**.
- (g) **(Notice of Exercise)** Subject to escrow, the Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate **(Notice of Exercise)** and payment of the exercise price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- (h) **(Exercise Date)** A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the exercise price for each Option being exercised in cleared funds **(Exercise Date)**.
- (i) **(Allotment)** As soon as possible after the Exercise Date, the Company must
  - (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
  - (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (j) do all such things necessary to obtain the grant of Official Quotation on ASX no later than 5 business days after issuing the share.
- (k) **(Rank)** Shares issued on exercise of the Options rank equally with the then issued shares of the Company.
- (l) **(Option Shares to be Quoted)** If re-admitted to the Official List, application will be made by the Company to ASX for Official Quotation of its Shares issued upon the exercise of the Options.
- (m) **(Change to Rights in Options)** An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (n) **(Options not quoted)** The Options will not be quoted on the ASX.
- (o) **(Transferability)** The Options are fully transferrable, provided the transfer of the Options does not contravene section 707(3) of the Corporations Act.

#### 9.3.4 Share Sale Agreement

Set out below are certain terms of the Share Sale Agreement relevant to (amongst other things) Completion:

##### ***Conditions Precedent***

Completion remains, at the date of this notice, conditional on the satisfaction (or waiver) of the following Conditions:

- (a) Alchemia completing and being reasonably satisfied in relation to the outcome of its due diligence investigation of APH;
- (b) Alchemia confirming there has been no material adverse change in Alchemia;
- (c) The Sellers confirming there has been no material adverse change in APH;
- (d) Alchemia obtaining all shareholder and regulatory approvals (including where applicable from ASX and ASIC) required in relation to:
  - (i) the Re-compliance; and
  - (ii) all other material transactions contemplated under the Share Sale Agreement,
 on terms acceptable to the Sellers (acting reasonably);
- (e) Alchemia providing the Sellers with copies of all such shareholder and regulatory approvals prior to Completion;
- (f) APH obtaining all shareholder and regulatory approval required to implement the transactions contemplated by this Agreement;
- (g) Alchemia lodging a prospectus with ASIC in accordance with the Corporations Act;
- (h) Alchemia convening a general meeting of shareholders in accordance with Section 611 item 7 of the Corporations Act (where applicable);

- (i) The Independent Expert's opinion obtained by Alchemia concluding that the transaction contemplated by this Agreement is reasonable to shareholders of Alchemia;
- (j) Alchemia successfully completing the Offer;
- (k) Alchemia successfully reorganising, Consolidating, splitting, issuing or otherwise dealing in its equity securities to provide for a price per Share of at least \$0.20 (being the RTO Price on a post-Consolidation basis);
- (l) Alchemia obtaining all relevant waivers (where applicable) from the ASX for the issue of equity securities under A\$0.20 (including, without limitation, for the issue of Shares and Options to the Lead Manager);
- (m) There being no material breach of any of the Sellers' warranties or the Alchemia warranties under the Share Sale Agreement; and
- (n) All Key Personnel having executed an engagement agreement with the Company.

***Termination before Completion***

APH will be required to pay Alchemia's costs incurred in relation to the Acquisition plus A\$50,000 (excl. GST) if Alchemia terminates the Share Sale Agreement prior to Completion if:

- APH breaches a material term of the agreement and is not rectified within 10 business days;
- APH breaches a seller warranty or that warranty becomes materially incorrect;
- an order is made or an effective resolution is passed for the winding up or dissolution of any of the Sellers or APH;
- a receiver, receiver and manager, judicial manager, liquidator, administrator or like official is appointed over the whole or a substantial part of the undertaking or property of the Sellers or APH;
- a holder of an Encumbrance takes possession of the whole or any substantial part of the undertaking and property of APH or the whole of the undertaking and property of the Sellers; or
- APH breaches its obligations imposed on it with regards to the exclusivity provisions afforded to the Company under the Share Sale Agreement.

**9.3.5 Deed of Accession and Variation to Share Sale Agreement**

Key material terms of this deed of accession and variation are as follows:

- The M&A Advisor's nominees shall receive the Consideration Shares free of any Deferred Consideration Shares and shall receive the Consideration Options at Completion.
- All parties agree that, other than the obligation to tender the Sale Shares to the Company under the terms of the Share Sale Agreement, the M&A Advisor's nominees have no other obligation, liability to the other parties to the Share Sale Agreement and have given no indemnity or other similar undertaking to the Company, APH and the Sellers. On that basis, all securities to be issued to the M&A Advisor's nominees will be precluded from any warranty or indemnity claims by the Company.

- The Share Sale Agreement is varied to account for the exact funds to be raised under the Offer (gross of fees and expenses) as well as to account for the funds to be raised under the Convertible Offer (gross of fees and expenses).
- The CIA Mann Family Pty Ltd as trustee for the CIA Mann Family Trust (who holds the licence to import low-THC Cannabis) provides a continuing licence to APH until such time as APH obtains its own licence to import.
- The loan provided by the Seller will be settled out of the costs of the Offer, totalling \$260,000 and that this payment will be full and final satisfaction of the debt APH owes to the Seller.

### 9.3.6 Convertible Notes

As outlined in Section 7.3, on 11 July 2019, APH entered into the Note Deed Poll with the Noteholders for the issue of up to 800,000 convertible notes (**Notes**) at a price per Note of A\$1.00, in consideration for raising in aggregate up to A\$800,000 (being, the Convertible Offer). These funds were used solely to purchase grain commitments from APH's contracted growers.

Key material terms of the Notes are as follows:

- The conversion price (subject to any reorganisation event), in connection with an 'Exit Event' being the Acquisition or a trade sale, is determined as follows:
  - for the Acquisition APH must make a written election that either:
- the Notes will be converted into shares in APH which shall be issued to the Noteholder and be immediately vended into Alchemia as part of the RTO in exchange for such number of Shares as represented by the total money on all Notes held by a Noteholder divided by the same price at which the Company raises capital from new investors under the Acquisition; or
- the obligation to pay the total Principal Money on all Notes held by a Noteholder will be fully and finally satisfied by the direct issue by the Company of such number Shares represented by the total money on all Notes held by a Noteholder divided by the same price at which the Company raises capital from new investors under the Acquisition.
  - the conversion price is the RTO Price (i.e. there is no discount to the RTO Price); or
  - for an agreement entered into for the sale of either substantially (at least 50% in aggregate) all of the Sale Shares or the assets of APH; the Noteholder can elect to receive approximately 13.79% of consideration as set out in that agreement (being its proportion of the equity in APH on an 'as converted' basis or \$800,000 in cash or shares in the scrip of the acquirer.
- The Notes bear no interest.
- Amongst other things (such as an insolvency event or an event of default), APH may redeem the Notes at any time by notice to a Noteholder after twelve (12) months of the execution of the Note Deed Poll if an 'Exit Event' has not occurred.
- Notes the subject of redemption are redeemable for (excluding an insolvency event or an event of default) an amount in cash equal to the Convertible Offer size plus 10% per annum of the Convertible Offer size if APH determines to redeem the Notes or an 'Exit

Event' has not occurred within twelve (12) months of the execution of the Note Deed Poll.

- The Company agrees to pay Kentgrove Equity Partners Pty Ltd an equity raising fee of 6.0% plus GST of all capital raised under the Convertible Offer.

### 9.3.7 Facility Agreement

On 17 April 2019, APH and the Company entered into the Facility Agreement, whereby the Company provided APH a facility of up to A\$600,000 to assist with the growth of APH (**Commitment**). The Commitment is available for a maximum period of two years (unless the Commitment is cancelled in full at an earlier date).

In addition, the Company entered into associated security documentation, including:

- general security deed over APH's present and after-acquired property, including property in which APH has, or may in the future have, rights or the powers to transfer rights;
- deed of guarantee and indemnity with Charles Mann and James Hood (APH's CEO and COO, respectively) over the Commitment including any interest, fees and costs.
- Key material terms of the secured loan facility agreement are as follows:
- The Commitment is available for a maximum period of two years (unless the Company cancels the provision of the Commitment at an earlier date).
- Interest shall accrue at a rate of 6 per cent per annum (calculated daily) on and from the date of drawdown until such time as the Commitment (and all accrued interest) are fully and finally repaid to Alchemia.
- The Commitment and accrued interest must be repaid to Alchemia by APH on the earlier of:
  - 17 May 2020;
  - on termination of the Sale Agreement by either party; or
  - such date as agreed to in writing between the Company and APH.
- If Completion occurs within twelve months from 29 March 2019, the Commitment and accrued interest will be forgiven and cancelled by the Company on Completion.
- If Completion does not occur within twelve months from 29 March 2019, the Commitment and accrued interest will be owing by APH and Alchemia may call on the Commitment on demand until Completion. If the Commitment is not called and Completion occurs, the Commitment will be forgiven and cancelled.

### 9.3.8 Shareholder loan

A Seller has provided a loan to APH amounting to \$270,000. As at the date of this Prospectus, the balance of this loan has not been repaid.

Key material terms of the shareholder loan are as follows:

- Interest will accrue on the loan at the rate of 7% per annum.

- The shareholder loan (plus unpaid interest) is repayable in instalments due 30 days from the date of the share sale agreement (being 8 June 2019).
- The balance of the shareholder loan that remains unpaid at 1 September 2019 will be, unless the parties agree to extend this date, immediately repayable.
- If the balance of the loan is not repaid by APH at (or immediately prior to) Completion, the balance of the loan will be repaid out of working capital immediately following Completion.

### 9.3.9 **Corporate Advisor Mandate**

The Corporate Advisor mandate sets out the terms and conditions on which the Corporate Advisor will provide corporate advisory services following Reconciliation.

Key material terms of the Corporate Advisor mandate are as follows:

- The Corporate Advisor will perform corporate advisory services that are expected for an advisor of a listed company including assisting with the Company's ongoing capital markets strategy.
- The Company agrees to pay to the Corporate Advisor the following professional fees in consideration for its services:
  - the issue of 40,000,000 Shares (which is intended to be \$400,000 worth of Shares at the RTO Price) in the Company on a pre-Consolidation basis; and
  - the issue of Options equivalent to 1.5% of the Shares outstanding following the Offer to the Corporate Advisor (expected to be 22,816,942 Options). The exercise price of the Options will be a 30% premium to the RTO Price and can be exercised by the Corporate Advisor at any time from the date of issue to the date 3 years from the date of Reconciliation.
- The Corporate Advisor has the right for a period of 24 months starting from the earlier of Completion or termination of this mandate to undertake any equity or hybrid capital raising for the Company and to act as Corporate Advisor and bookrunner for the Company.

### 9.3.10 **FINOLA® exclusive supply agreement**

APH has entered into an agreement with FINOLA Australia Pty Ltd (**Finola Australia**) for the granting of a limited licence to purchase FINOLA® hemp seed from Dr Jace Callaway, FINOLA OY and FINOLA Australia Pty Ltd.

Key obligations of APH under this agreement are as follows:

- APH will do all things necessary to facilitate compliance by FINOLA Australia with its obligations under the 2018 FINOLA exclusive supply agreement (which provided an exclusive licence for the importation of FINOLA® hemp seed) (**2018 Agreement**).
- APH acknowledges that it is a sub-licensee under the 2018 Agreement and will comply with all obligations imposed on sub-licensees under that 2018 Agreement.
- APH will supply FINOLA® hemp seed to growers under licence to produce FINOLA® hemp grain under off-take agreements requiring growers to deliver to APH all FINOLA® hemp seed not used and all FINOLA® hemp grain produced from the growers.

- (d) APH will not and will procure that any growers supplied with FINOLA® hemp seed do not produce FINOLA® cultivation seed or conduct trials or use FINOLA® hemp seed or FINOLA® hemp grain for any trials or breeding programs without the written consent of FINOLA® Australia.
- (e) APH will take all reasonable steps to avoid the unauthorised dissemination of viable FINOLA® hemp seed and FINOLA® hemp grain.
- (f) To the extent of any conflict between APH’s obligations under this agreement and the 2018 Agreement, the 2018 Agreement prevails.
- (g) APH acknowledges that it grants a security interest to FINOLA Australia.

Under a deed of variation between APH and Finola Australia, the parties agreed that the FINOLA® hemp seed price for each season will be outlined in each contract confirmation for the purchase of FINOLA® and will be based on a “pass through” of the cost of FINOLA® hemp seeds to Finola Australia under the 2018 Agreement (being production costs, seed certification costs and maintenance costs). Further, any personal financial benefit derived by Charlie Mann and James Hood under the Finola Exclusive Supply Agreement will be remitted back to APH.

#### 9.3.11 **RED supply agreement**

This agreement sets out the terms and conditions for the supply of hemp grain from RED Agriculture Pty Ltd (**RED**) to APH.

Key terms are as follows:

- The term of this agreement is 18 months from the date of execution and after that, the parties will review and may extend this agreement on the same or similar terms.
- If RED purchases any hemp seed from APH, it must supply the hemp grain grown from this hemp seed to APH.
- If RED produce more hemp grain than the contracted tonnage, APH has the first right of refusal on the excess tonnage at a price to be agreed upon at that time and RED has to make every effort to sell the excess hemp grain to APH.
- All tonnage in the contract must have been made available for delivery to APH by 30 June 2019 unless APH approves an extension (which it has under a separate side letter).
- RED will be responsible for storage of the grain until tests of samples have confirmed it meets APH’s “Receival Standards”.
- RED is responsible for transport to APH’s processing facility. APH will notify RED when deliveries are required and will allow minimum 1 weeks’ notice in writing for each delivery.
- This agreement may be terminated on standard termination provisions relating to a material breach and an insolvency event.

#### 9.3.12 **Customer Prepayment**

The prepayment provided to APH by a customer dated on or around August 2018 (**Customer Prepayment**) arises out of APH’s inability to source enough product to fill a substantial order from the customer. Only 41.55 tonne (of the 300 tonne invoiced and paid for) has been supplied, resulting in an unfilled order amounting to \$1,407,260.25, which has subsequently been converted into ‘Deferred income’ on APH’s balance sheet.

Key terms of the Customer Prepayment are as follows:

- Loan sum equates to \$1,407,260.25.
- Interest rate on the Customer Prepayment is 7% per annum.
- Repayment must occur within 10 years, or 40 quarterly terms.
- The commencement date of the Customer Prepayment was 17 July 2018.
- The first repayment date of the Customer Prepayment was 31 October 2018 and the last repayment date of the Customer Prepayment will be 31 July 2028.

#### **9.4 Ownership restrictions**

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

##### **9.4.1 Corporations Act**

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20% or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

##### **9.4.2 Australian tax considerations**

The comments in this Section provide a general outline of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and that hold Shares in the Company on capital account for Australian income tax purposes.

This summary does not constitute financial product advice as defined in the Corporations Act. This summary is confined to Australian taxation issues and is only one of the matters which need to be considered by Shareholders before deciding about an investment in the Shares.

Investors should note that tax laws are subject to ongoing change, and this section does not consider any changes in administrative practice or interpretation by the relevant tax authorities, or any changes in law by judicial decision or legislation following the Prospectus Date. To the extent that there are any changes in law after the Prospectus Date, including those having retrospective effect, Shareholders should consider the tax consequences, taking into account their own individual circumstances, and should consider taking advice from a professional advisor before making a decision about an investment to acquire Shares under this Prospectus.

The taxation implications of a subscription for Shares may be affected by the individual circumstances of each Shareholder, and it is recommended that Shareholders consult their own independent advisors regarding taxation consequences, including stamp duty, income tax and Australian goods and services tax consequences of the acquisition, ownership and disposal of Shares. This summary is general in nature and does not cover all income tax consequences that could apply in all circumstances of any Shareholder.

The categories of Shareholders considered in this Section 9.4.2 are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying

superannuation funds that hold their Shares on capital account, and it does not consider Shareholders that hold Shares on revenue account, carry on a business of trading in Shares, are exempt from Australian tax, foreign residents, insurance companies, banks or Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth). This Section 9.4.2 also assumes that each Shareholder (together with its associates) holds at all relevant times less than 10% of the Shares in the Company.

#### 9.4.3 Dividends on Shares

##### (a) Australian tax resident individuals and complying superannuation entities

Where dividends on a Share are paid by the Company, those dividends should constitute assessable income of an Australian tax resident Shareholder.

Individuals or complying superannuation entities who are Australian tax resident Shareholders should include the dividend (together with any franking credits attached to that dividend) in their assessable income in the year the dividend is paid. Investors should note that the tax rate payable by each individual Australian resident Shareholder will depend on the circumstances of the Shareholder and their prevailing marginal rate of income tax.

Shareholders who are individuals or complying superannuation entities should be entitled to a 'tax offset' equal to the franking credits attached to the dividend, subject to being a 'qualified person', and the tax offset may be applied to reduce the tax payable on the Shareholder's taxable income. If a dividend paid by the Company is unfranked, the Shareholder will generally be taxed at the Shareholder's marginal rate on the dividend received, with no tax offset.

##### (b) Australian tax resident corporate Shareholders

Corporate Shareholders are required to include the dividend and associated franking credits in their assessable income, and a tax offset will then be allowed up to the amount of the franking credits. To the extent of the franking credits attached to the dividend, the Australian resident corporate Shareholder should be entitled to a credit in its franking account, and can pass on the benefit of the franked credits to their own shareholders on the payment of franked dividends. While excess franking credits cannot give rise to a refund, they may (in certain circumstances) be converted into carry forward tax losses.

##### (c) Australian tax resident trusts and partnerships

Australian tax resident Shareholders who are partnerships or trustees (other than trustees of 'complying superannuation entities') or partnerships should include dividends and franking credits in determining the net income of the partnership or trust. A beneficiary of a trust, a trustee or a partner may be entitled to a tax offset equal to their share of the net income of the trust or partnership (as relevant),

##### (d) Holding period and related payment rules

To be eligible for tax offsets and franking credits and tax offset, a Shareholder must satisfy the 'holding period' and 'related payment' rules, requiring that the Shareholder hold the Shares 'at risk' for a continuous period of more than 45 days, excluding the dates of acquisition and disposal). Where these rules are not satisfied, the Shareholder will not include an amount for the franking credits in their assessable income and should not be entitled to a tax offset.

The Shares are not held 'at risk' if the Shareholder has a materially diminished risk of loss or opportunity for gain in relation to the Shares. For example, if the Shareholder has entered into

an agreement to dispose of the Shares, or granted options over Shares, the Shareholder will not hold the Shares 'at risk'.

A Shareholder will not be obliged to make a 'related payment' in respect of a dividend, unless they hold the Shares 'at risk' for the required holding period around the dividend dates.

This holding period rule is subject to exceptions, including where the total franking offsets of an individual in a year of income are under \$5,000, and special rules apply to trusts and beneficiaries. The Board recommends that Shareholders should obtain their own professional tax advice to determine if these requirements have been satisfied.

(e) Australian capital gains tax implications on a disposal of Shares

The disposal of a Share by an Australian resident Shareholder will constitute a CGT event. A capital gain will arise where the cost base of the Share (being the amount paid to acquire the Share, plus any costs in relation to the acquisition or disposal) is exceeded by the capital proceeds on disposal (in the case of an on-market sale, the cash proceeds received on disposal).

However, a CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for at least 12 months prior to the CGT event.

If the CGT discount applies, a capital gain arising to individuals and entities acting as Trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses, and for a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

If the Shareholder is the trustee of a trust that has held the Shares for at least 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. The Board recommends that Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal, and capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain recoupment tests being satisfied. However, capital losses cannot be offset against other forms of assessable income.

(f) Australian goods and services tax

No GST should be payable by Shareholders on acquisition or disposal of Shares in the Company, and no GST should be payable by Shareholders on receiving dividends distributed by the Company.

However, Shareholders may not be entitled to claim full input tax credits in relation to any GST included in any costs incurred in connection with the acquisition of the Shares, and Shareholders should obtain their own independent tax advice in this regard.

(g) Stamp duty

Shareholders should not be liable for stamp duty in relation to the acquisition of Shares, unless they acquire (either individually or with an associate or related party) an interest of 90% or more in the Company.

## 9.5 Legal proceedings

As at the Prospectus Date, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

## 9.6 Rights attaching to Shares

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out at Section 7.27. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice. The summary assumes that the Company is re-admitted to the Official List.

## 9.7 Carry-forward losses

The Company understands that it may rely on the continuity of ownership test in relation to some of its carry-forward losses accrued from 1 July 2004 in the context of the Acquisition.

## 9.8 Consents

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in, or omissions from, this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement which is made in this Prospectus is based, other than as specified below:

- Kentgrove Equity Partners Pty Ltd (ACN 614 276 676) has given its written consent to being named as Lead Manager to the Company in this Prospectus. The Lead Manager has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC;
- Holding Redlich has given its written consent to being named as the Australian solicitors to the Company in this Prospectus. Holding Redlich has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC;
- Canaccord Genuity (Australia) Limited (ACN 075 071 466) has given its written consent to being named as Corporate Advisor to the Company in this Prospectus. The Corporate Advisor has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC;
- RSM Corporate Australia Pty Ltd (ACN 050 508 024) has given its written consent to being named as the Investigating Accountant of the Company in this Prospectus and to the inclusion of its Investigating Accountant's Report included in Section 8 of this Prospectus in the form and context in which the report is included in. The Investigating Accountant has not withdrawn its consent prior to lodgement of this Prospectus with ASIC;

- RSM Australia Partners has given its written consent to being named as the auditor of APH in this Prospectus. RSM Australia Partners has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC;
- Grant Thornton Audit Pty Ltd has given its written consent to being named as the auditor of the Company in this Prospectus. Grant Thornton Audit Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC;
- Link Market Services Limited (ACN 083 214 537) has given its written consent to being named as the Share Registry of the Company in this Prospectus. The Share Registry has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC; and
- Melanie Leydin and Leydin Freyer Corp Pty Ltd (ACN 161 707 713) have given their written consents to being named as the Chief Financial Officer and Company Secretary of the Company in this Prospectus. Melanie Leydin and Leydin Freyer have not withdrawn their consents prior to the lodgement of this Prospectus with ASIC.

### **9.9 Expenses of the Offer**

The costs of the Offer are expected to be approximately \$650,000 (excluding GST). These costs will be borne by the Company from the proceeds of the Offer.

### **9.10 Governing law**

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria, Australia.

### **9.11 Working Capital Statement**

The Directors are satisfied that on Completion, the Company will have sufficient working capital to carry out its stated objectives.

### **9.12 Statement of Directors**

In accordance with section 720 of the Corporations Act, the issue of this Prospectus is authorised by each Director.

Each Director has consented to the lodgement of the Prospectus with ASIC and the issue of the Prospectus and no Director has withdrawn that consent.

Signed on behalf of the Company.



Cameron Petricevic  
Director

16 September 2019

## 10. Glossary

Term	Meaning
\$, \$A or AUD	Australian dollars
AAS or Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group interpretations
AASB or Australian Accounting Standards Board	Australian Accounting Standards Board, an Australian government agency under the <i>Australian Securities and Investments Commission Act 2001</i>
AEST	Australian Eastern Standard Time
Acquisition	Has the meaning given in Section 3.2
AGM	Annual general meeting of the Company
APH Business	Means the business undertaken by APH of all areas of the hemp supply chain from seed distribution, hemp farming, manufacturing and processing, to bulk sales and selling under APH's own retail line
Applicant	A person who submits an Application for Shares under the Offer
Application	Application made to subscribe for Shares under the Offer
Application Form	The relevant form attached to or accompanying this Prospectus pursuant to which Applicants apply for Shares
Application Monies	The amount accompanying an Application Form submitted by an Applicant, calculated as the RTO Price multiplied by the number of Shares applied for
ASIC	Australian Securities and Investments Commission
Associate	Has the meaning given to it by sections 10 to 17 of the Corporations Act
ASX	Australian Securities Exchange, as operated by ASX Limited (ABN 98 008 624 691)
ASX Listing Rules	The official listing rules of ASX
ASX Recommendations	The Corporate Governance Principles and Recommendations issued by the ASX
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Ltd
ATO	Australian Taxation Office
Board or Board of Directors	The Board of Directors of the Company
Capital Raising Shares	Means those shares being issued to related parties under the Offer and as set out Section 7.12
Chair	In relation to the Company, Cameron Petricevic or otherwise as the context requires
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act

Term	Meaning
Closing Date	Means Friday, 20 September 2019
Completion	Completion in respect of the Acquisition
Company or Alchemia	Alchemia Limited ACN 071 666 334
Consideration Options	Options to be issued on a pre-Consolidation basis, as consideration for the Company's acquisition of all of the issued capital in APH
Consideration Shares	to be issued on a pre-Consolidation basis, as consideration for the Company's acquisition of all of the issued capital in APH
Consolidation	The proposed consolidation of the Company's issued securities into a smaller number in the ratio of 20 to 1
Constitution	Constitution of the Company as amended from time to time
Convertible Offer	The offer under this Prospectus of New Shares to be issued by the Company under Section 7.3
COO	Chief Operations Officer
Corporate Advisor	Canaccord Genuity (Australia) Limited (ACN 075 071 466)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Deferred Consideration Shares	Has the meaning given in Section 3.2
Deferred Period	Has the meaning given in Section 3.2
Directors	Each of the Directors of the Company from time to time (including, where applicable, Proposed Directors)
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Equity Incentive Plan	Has the meaning given in Section 6.13
Existing Shareholders	Those persons holding shares in Alchemia as at the Prospectus Date
Expiry Date	The date that is 13 months after the Prospectus Date
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum of seven days from the date of the Prospectus, during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the date of the Prospectus
Financial Information	Has the meaning given in Section 4
FSANZ	Australia New Zealand Food Standards Code
FY2017	Financial year ending 30 June 2017
FY2018	Financial year ending 30 June 2018
FY2019	Financial year ending 30 June 2019

Term	Meaning
GST	Goods and services or similar tax imposed in Australia
HIN	Holder Identification Number
Historical Financial Information	Has the meaning given in Section 4
IFRS	International Financial Reporting Standards
Investigating Accountant	RSM Corporate Australia Pty Ltd (ACN 050 508 024)
Investigating Accountant's Report	The Investigating Accountant's Report set out in Section 8
Lead Manager	Kentgrove Equity Partners Pty Ltd (ACN 614 276 676) an Associate of the M&A Advisor
Listing	The date on which the Company is re-admitted to the Official List
M&A Advisor	Kentgrove Capital Pty Ltd (ACN 150 638 627) an Associate of the Lead Manager
Noteholders	Investors that participated in the convertible note round as set out in Section 7.3
Notice	The notice of meeting for the Company' AGM, to be held on 16 September 2019
New Share/s	Shares issued under the Offer
Offer	The offer under this Prospectus of New Shares to be issued by the Company under Section 7.1 (but any reference to <b>Offers</b> includes the Offer, Convertible Offer and Sellers Offer as set out in Section 7)
Officer	Has the meaning given in Section 9 of the Corporations Act
Official List	The official list of entities that ASX has admitted and not removed
Official Quotation	Means official quotation by ASX in accordance with the ASX Listing Rules
Opening Date	Means Monday, 16 September 2019
Option	Means an option to acquire a Share
Original Prospectus	Means the prospectus dated Wednesday, 4 September 2019 that was lodged with ASIC on that date
Pro Forma Financial Information	Has the meaning given in Section 4
Pro Forma Historical Financial Information	Has the meaning given in Section 4
Proposed Director	Charles Mann, James Hood and Pauline Gately
Prospectus	This document (including the electronic form of this Prospectus), the Original Prospectus and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	Means Monday, 16 September 2019

Term	Meaning
Recompliance	The reinstatement of the Shares to Official Quotation but subject to the relevant escrow or restriction agreement if required by ASX following Alchemia recomplying with Chapters 1 and 2 of the ASX Listing Rules to the satisfaction of ASX
RTO Price	\$0.01 per Share (on a pre-Consolidation basis) and/or \$0.20 per Share (on a post-Consolidation basis)
Sale Share	A fully paid ordinary share in APH
Sellers	The current shareholders of APH
Sellers Offer	The offer under this Prospectus of New Shares to be issued by the Company under Section 7.4
Share	A fully paid ordinary share in the Company
Share Sale Agreement	means the binding conditional share sale agreement between the Company, APH and the Sellers with respect to the Acquisition dated 20 June 2019
Shareholder	The registered holder of a Share
Share Registry	Link Market Services Limited (ACN 083 214 537)
Share Sale Agreement	The agreement between the Company and APH whereby Alchemia has agreed to acquire 100% of the Sale Shares, the terms of which are set out in Section 9.3.4
Statutory Historical Financial Information	Has the meaning given in Section 4
Subsidiary	Has the meaning given in Section 9 of the Corporations Act
TFN	Tax file number
US	Means the United States of America
US Securities Act	United States Securities Act of 1933

## **Appendix A: Significant Accounting Policies**

### **Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 of this Prospectus are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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

#### *AASB 15 Revenue from Contracts with Customers*

The company has adopted AASB 15 from 1 July 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

#### *AASB 9 Financial Instruments*

The company has adopted AASB 9 from 1 July 2017. AASB 9 'Financial Instruments' introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

#### *AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses*

The company has adopted AASB 2016-1 from 1 July 2017. The amendments to AASB 112 'Income Taxes' clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

#### *AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*

The company has adopted AASB 2016-2 from 1 July 2017. The amendments to AASB 107 'Statement of Cash Flows' require the disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

#### *AASB 16 Leases*

The company 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.

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

### **Basis of preparation**

The financial information has 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. The financial information also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial information has been prepared under the historical cost convention.

#### *Critical accounting estimates*

The preparation of the financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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 information, are disclosed in note 2.

## **Revenue recognition**

### *Revenue from contracts with customers*

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

### *Sale of goods*

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

### *Interest*

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

### *Other revenue*

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

## **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 in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

### **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 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 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.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Trade and other receivables**

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

The company 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.

## **Inventories**

Raw materials 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, and, where applicable, transfers from cash flow hedging reserves in equity. 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.

## **Property, plant and equipment**

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

Depreciation is calculated on a diminishing value 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 vehicles	4-6 years
Right of use asset	3 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 and plant and equipment under lease 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 entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

## **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

## Trade and other payables

These amounts represent liabilities for goods and services provided to the 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 days of recognition.

## 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.

## Leases

At inception of a contract, the company 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 company 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 company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The company has the right to direct the use of the asset. The company 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 company has the right to direct the use of the asset if either:
  - The company has the right to operate the asset; or
  - The company 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 company 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 company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

### *As a lessee*

The company 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 right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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 company's incremental borrowing rate. Generally, the company 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 company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company 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 company's estimate of the amount expected to be payable under a residual value guarantee, or if the company 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 company 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 company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### **Employee benefits**

#### *Short-term employee benefits*

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

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of

services provided by employees up to the reporting date 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### **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.

### **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.

### **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 entity for the annual reporting period ended 30 June 2019.

### **Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial information requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial information. 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.

### *Estimation of useful lives of assets*

The 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.

### *Recovery of deferred tax assets*

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

## Corporate Directory

<p><b>Directors and Proposed Directors of the Company</b></p> <p>Charles Mann – Executive Director</p> <p>James Hood – Executive Director</p> <p>Pauline Gately Director – Independent, Non-executive Director</p> <p>Cameron Petricevic – Non-executive Director &amp; Chair</p>	<p><b>Company Secretary</b></p> <p>Melanie Leydin</p> <p>Leydin Freyer Corp Pty Ltd</p> <p>Level 4, 100 Albert Road</p> <p>South Melbourne VIC 3205</p>
<p><b>Australian Legal Advisor</b></p> <p>Holding Redlich</p> <p>Level 8, 555 Bourke Street</p> <p>Melbourne VIC 3000 Australia</p>	<p><b>Lead Manager</b></p> <p>Kentgrove Equity Partners Pty Ltd</p> <p>Level 4 North Building, 333 Collins Street</p> <p>Melbourne VIC 3000</p>
<p><b>ACL Auditors</b></p> <p>Grant Thornton Audit Pty Ltd</p> <p>Collins Square, Tower 5/727 Collins Street</p> <p>Melbourne VIC 3008</p>	<p><b>APH Auditors</b></p> <p>RSM Australia Partners</p> <p>Level 21, 55 Collins Street</p> <p>Melbourne VIC 3000</p>
<p><b>Investigating Accountant</b></p> <p>RSM Corporate Australia Pty Ltd</p> <p>Level 21, 55 Collins Street</p> <p>Melbourne VIC 3000</p>	<p><b>Postal Address</b></p> <p>c/- Holding Redlich</p> <p>Level 8, 555 Bourke Street</p> <p>Melbourne VIC 3000 Australia</p>
<p><b>Principal Office</b></p> <p>c/- Sinclair Wilson, 142 Manifold Street</p> <p>Camperdown VIC 3260</p>	<p><b>Share Registry</b></p> <p>Link Market Services Limited</p> <p>Tower 4, 727 Collins Street</p> <p>Melbourne VIC 3000</p>
<p><b>ASX Code</b></p> <p>ASX: APH</p>	



Grid for Broker Code

Grid for Adviser Code

# Offer Application Form

This is an Application Form for Shares in Alchemia Limited under the Offer on the terms set out in the Replacement Prospectus ("Prospectus") dated 16 September 2019. You may apply for a minimum of 10,000 Shares and multiples of 2,500 thereafter. This Application Form and your cheque or bank draft must be received by **5.00pm (AEST) on 20 September 2019**.

**If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.**

Shares applied for [ ] at **A\$0.20** B A\$ [ ] Application Monies [ ]

(minimum 10,000, thereafter in multiples of 2,500)

**PLEASE COMPLETE YOUR DETAILS BELOW** (refer overleaf for correct forms of registrable names) **+**

Applicant #1

Surname/Company Name

[ ]

Title First Name Middle Name [ ]

Joint Applicant #2

Surname

[ ]

Title First Name Middle Name [ ]

Designated account e.g. <Super Fund> (or Joint Applicant #3)

[ ]

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

[ ]

TFN/ABN type – if NOT an individual, please mark the appropriate box  Company  Partnership  Trust  Super Fund

**PLEASE COMPLETE ADDRESS DETAILS**

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

[ ]

Unit Number/Level Street Number Street Name [ ]

Suburb/City or Town State Postcode [ ]

Email address (only for purpose of electronic communication of shareholder information)

[ ]

CHESS HIN

**X** [ ] **+**

*If you have a Broker Sponsored account and would like your securities to be allocated to this account, it is important that you enter your HIN at this step. Failure to do so will result in your securities being allocated to a new Issuer Sponsored account. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.*

Telephone Number where you can be contacted during Business Hours Contact Name (PRINT) [ ]

Cheques or bank drafts should be made payable to **"Alchemia Limited"** in Australian currency and crossed "Not Negotiable".

Cheque or Bank Draft Number BSB Account Number [ ]

Total Amount **A\$** [ ]

**LODGEMENT INSTRUCTIONS**

You must return your application so it is received before 5.00pm (AEST) on 20 September 2019 to: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

**ACL IPO001**



# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

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- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Alchemia Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Alchemia Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Alchemia Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.  
Make your cheque or bank draft payable to "**Alchemia Limited**" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.  
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Locked Bag A14  
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## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

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<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



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Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



**ALCHEMIA LIMITED**

ACN 071 666 334

Broker Code

Adviser Code

## Convertible Offer Application Form

This is an Application Form for Shares in Alchemia Limited under the Convertible Offer on the terms set out in the Replacement Prospectus ("Prospectus") dated 16 September 2019. You may apply for a minimum of 10,000 Shares and multiples of 2,500 thereafter. This Application Form and your cheque or bank draft must be received by **5.00pm (AEST) on 20 September 2019**.

**If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.**

Shares applied for

Price per Share

Application Monies

**A**  ,  ,  ,  ,  ,  ,  ,  at **A\$0.20** **B** A\$  ,  ,  ,  ,  ,  ,  ,  .

(minimum 10,000, thereafter in multiples of 2,500)

**PLEASE COMPLETE YOUR DETAILS BELOW** (refer overleaf for correct forms of registrable names) **+**

Applicant #1

Surname/Company Name

**C**

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

**D**

TFN/ABN type – if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

**PLEASE COMPLETE ADDRESS DETAILS**

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

**E**

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN

**F** **X**

*If you have a Broker Sponsored account and would like your securities to be allocated to this account, it is important that you enter your HIN at this step. Failure to do so will result in your securities being allocated to a new Issuer Sponsored account. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.*

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

**G** (  )

Cheques or bank drafts should be made payable to "Alchemia Limited" in Australian currency and crossed "Not Negotiable".

Cheque or Bank Draft Number

BSB

Account Number

**H**  -

Total Amount **A\$**  ,  ,  ,  .

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**ACL IPO002**



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