Australian Primary Hemp Limited and Consolidated Entities
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Australian Primary Hemp Limited
ABN:	43 071 666 334
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	63.04%	to	1,889,341
Loss from ordinary activities after tax attributable to the Owners of Australian Primary Hemp Limited	down	25.72%	to	(4,393,305)
Loss for the year attributable to the Owners of Australian Primary Hemp Limited	down	25.72%	to	(4,393,305)

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

Comments
The loss for the Consolidated Entity after providing for income tax amounted to $4,393,305 (30 June 2020: $5,914,274).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	5.51	3.75

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

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

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11. Attachments

Details of attachments (if any):

The Annual Report of Australian Primary Hemp Limited for the year ended 30 June 2021 is attached.

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12. Signed

Signed P. Gately Date: 31 August 2021

Pauline Gately

Australian Primary Hemp Limited and Consolidated Entities

ABN 43 071 666 334

Annual Report - 30 June 2021

Directors	Ms. Pauline Gately, Non-Executive Chair Mr. Neale Joseph, Chief Executive Officer and Managing Director Mr. James Hood, Non-Executive Director Mr. Shane Gild, Non-Executive Director
Company secretary	Ms. Melanie Leydin
Notice of annual general meeting	The Company will hold its annual general meeting of shareholders on or around 20 October 2021.
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Principal place of business	53 Riversdale Road Newtown VIC 3220 Ph: (03) 5201 0398
Share register	Link Market Services Limited Tower 4, 727 Collins Street Docklands, VIC 3008 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne, VIC 3008
Stock exchange listing	Australian Primary Hemp Limited shares are listed on the Australian Securities Exchange (ASX code: APH)
Website	https://www.ausprimaryhemp.com.au/
Corporate Governance Statement	Corporate governance statements are available in Group's website. Please refer to https://www.ausprimaryhemp.com.au/pages/corporate-governance

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Australian Primary Hemp Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

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

Ms. Pauline Gately, Non-Executive Chair
Mr. Neale Joseph, Chief Executive Officer and Managing Director (appointed as a Director on 8 October 2020)
Mr. James Hood, Non-Executive Director (resigned from Executive Director and Chief Operating Officer on 19 May 2021)
Mr. Cameron Petricevic, Non-Executive Director (resigned from Non-Executive Director on 7 June 2021)
Mr. Shane Gild, Non-Executive Director (appointed as Non-Executive Director on 7 June 2021)

Principal activities

Australian Primary Hemp Limited (“APH”) is a vertically integrated business which produces, manufactures, and distributes a range of hemp products under the APH and Mt Elephant brands, to retail, wholesale, and white label customers in Australia. APH engages across the hemp value chain, encompassing hemp seed selection, farming, processing, packaging as well as distribution and sales of bulk and retail products.

Dividends

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

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to $4,393,305 (30 June 2020: $5,914,274).

Revenue of $1,889,341 (30 June 2020: $1,158,785) was primarily from the sale of bulk wholesale and retail hemp products and was up 63% from the previous financial year.

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

- In August 2020, APH signed a two-year $780,000 supply contract with Annex Foods to supply Australian grown hemp seeds;
- In response to the COVID-19 impacts in the market, the company sold personal protective equipment (hemp face masks and hemp infused hand sanitiser) to retailers in Australia, New Zealand, USA, and United Kingdom;
- In October, the Board of Directors was restructured, installing Pauline Gately as an independent Non-Executive Chair with Cameron Petricevic reverting to Non-Executive Director and Chair of the Risk and Audit Committee. Additionally, Neale Joseph, Chief Executive Officer, was appointed to the Board of Directors. In June 2021, as Board renewal continued, Cameron Petricevic retired, and Shane Gild joined the Board;
- In November, the Company announced a distribution agreement with 7-Eleven to range its snack bars in 720 stores nationally in Australia commencing March 2021;
- In line with the strategy outlined in May 2020, the Company implemented a new agricultural plan which has increased supply security through the contracting of thirteen of Tasmania's leading farmers to grow and harvest hemp crops. Agronomy services were also engaged to support the planting, management, and harvest of the 2021 crop as well as the drying and grading systems;
- In January 2021 the company’s Mt Elephant range of bakery products were accepted in Woolworths in 650 stores nationally and were on shelf in late June 2021;
- Also in January 2021, the company raised $5.2M from sophisticated investors and $1M for a retail share purchase plan;
- The company’s new Mt Elephant Hemp and Oat Mylk ranges were ranged in Coles and Woolworths nationally in over 150 stores;
- In April 2021, APH signed a two-year deal with Annex Foods to supply Australian grown and milled Hemp meal;
- Several key management changes were made in this period including Co-Founder James Hood stepping down as COO. James remains a Director of the Company. We also appointed of new roles including Head of Consumer Business, Business Development Director, Brand Manager and Corporate Accountant to support the strategy of evolution to a branded value-added plant-based health and wellness company; and
- In June 2021, in line with the May 2020 strategy that was announced, APH launched its Field Day pet nutrition range into all leading Pet Food e-tailers and retailers including Pet Stock, My Pet Warehouse, Pet Circle and Pet Culture.

The company expects to continue delivering on and expanding upon their stated vision as an integrated sustainable products company and provider of hemp products in Human Nutrition, Animal Nutrition and Wellness.

Expenditure during the year for APH was primarily for expansion equipment, inventory build-up, working capital and strengthening the management team, product development and marketing investment.

Cash and cash equivalents as at 30 June 2021, was $4,100,563.

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

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

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

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

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

On 28 January 2021, the Company issued following unlisted options to Canaccord pursuant to the Engagement letter dated 18 December 2020 for Corporate Advisory Services:

- 833,334 unquoted options, vesting immediately on issue. The options are exercisable at $0.45 expiring on 31 December 2023;
- 833,333 unquoted options, vesting immediately on issue. The options are exercisable at $0.55 expiring on 31 December 2023; and
- 833,333 unquoted options, vesting immediately on issue. The options are exercisable at $0.65 expiring on 31 December 2023.

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

On 27 April 2021, the Company issued 1,000,000 ordinary shares to the CEO Neale Joseph on the conversion of Performance Rights having achieved key performance milestones as announced on 13 March 2020 and 15 June 2020.

Further to an announcement on 4 May 2021, the Company released 500,000 fully paid ordinary shares from voluntary escrow on 11 May 2021. These shares are being released early from voluntary escrow due to exceptional circumstances. Upon release, 21,382,791 fully paid ordinary shares will remain subject to voluntary escrow until October 2021.

On 19 May 2021, James Hood resigned from Chief Operating Officer and became a Non-executive Director of the company.

On 7 June 2021, Cameron Petricevic resigned from the Board and Shane Gild was appointed as a Non-executive Director of the company.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

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

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

Information on Directors

Name:	Ms. Pauline Gately
Title:	Non-Executive Chair
Experience and expertise:	Ms. Gately is an accomplished investment strategist and seasoned director with experience across a portfolio of Board positions. Pauline brings a sharp commercial focus to strategy and risk underpinned by 20-years investment banking experience. A graduate and member of the Australian Institute of Company Directors (GAICD), Pauline holds a BA Hons Economics (BA Hons Econ) and Graduate Diploma in Accounting (Grad Dip Acc). Ms. Gately is currently a non-executive director of Ardiden Limited (ASX: ADV), non-executive Chair of Kalgoorlie Gold Mining Ltd and a non-executive Director of Northam Resources Ltd. Prior to this, she served as a non-executive director and non-executive chair of Alliance Mineral Assets Limited (SGX: 40F) from 2011 through to December 2018.
Other current directorships:	Non-executive director of Ardiden Limited (ASX: ADV)
Former directorships (last 3 years):	Alliance Mineral Assets Limited (SGX: 40F) - resigned on 14 December 2018
Special responsibilities:	Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Committee
Interests in shares:	50,000
Interests in options:	334,000

Name:	Mr. Neale Joseph
Title:	Chief Executive Officer (CEO) and Managing Director
Experience and expertise:	Mr. Joseph is an experienced Chief Executive Officer who has successfully led businesses across Australia, New Zealand, Asia Pacific, and the Middle East. Mr. Joseph recently co-founded a successful start-up in the natural health and beauty industry where distribution grew to leading retailers in Australia, New Zealand, Canada, the United States and Europe. Mr. Joseph has worked in senior leadership roles with organisations such as Pure Beauty Australia (as CEO), Motorola Solutions Inc., David Jones Ltd, Dulux and Simplot as Vice President, General Manager and Marketing and Sales roles over the past 25 years. Mr. Joseph brings significant experience in FMCG, pharmacy and B2B distribution as well as procurement, distribution, and operations.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	1,033,896
Interests in options:	Nil

Name:	Mr. James Hood
Title:	Non-Executive Director
Experience and expertise:	Mr. Hood is a co-founder of AusHemp, with substantial experience in production facility development and an extensive network of farmers, which has positioned AusHemp well to produce a complete vertically integrated product line. Prior to AusHemp, Mr. Hood had roles in agriculture, subsea engineering, and digital software development.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee and the Audit and Risk Committee
Interests in shares:	7,600,000
Interests in options:	5,369,231

Name:	Mr. Shane Gild
Title:	Non-Executive Director
Experience and expertise:	Shane has spent over 20 years working in equities and capital markets with Deutsche Bank (Australian and UK) and Canaccord Genuity. He brings depth and experience in capital markets transactions, institutional relationships and has worked with a number of ASX listed growth companies. Shane is currently a Non-Executive Director of PayGroup Ltd (ASX:PYG) and a board member of MTC Foundation. He is also a Graduate of the Australian Institute of Company Directors (GAICD).
Other current directorships:	Non-Executive Director of PayGroup Ltd (ASX:PYG)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee and member of the Remuneration and Nomination Committee
Interests in shares:	500,000
Interests in options:	Nil

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

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

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

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

Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Pauline Gately	13	13	4	4	3	3
Neale Joseph	13	13	-	-	-	-
James Hood	13	13	4	4	-	-
Cameron Petricevic *	12	12	4	4	3	3
Shane Gild **	1	1	-	-	-	-

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

* Cameron Petricevic resigned from Non-Executive Director on 7 June 2021.
** Shane Gild was appointed as Non-Executive Director on 7 June 2021.

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

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

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

Principles used to determine the nature and amount of remuneration
The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for Shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to Shareholders
- performance linkage / alignment of executive compensation
- transparency

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

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

The reward framework is designed to align executive reward to Shareholders' interests. The Board have considered that it should seek to enhance Shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in Shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in Shareholder wealth
- providing a clear structure for earning rewards

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

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

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 16 September 2019, where the shareholders approved an aggregate remuneration of $300,000.

Annual Directors' fees currently agreed to be paid by the Consolidated Entity are $215,000 in total. The combined payment to all non-executive directors does not exceed aggregate remuneration approved by the shareholders.

Executive remuneration
The Consolidated Entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components. The executive remuneration and reward framework has four components:

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

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

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

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

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

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

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

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

Voting and comments made at the Company's 2 October 2020 Annual General Meeting ('AGM')
At the 2 October 2020 AGM, 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

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

The key management personnel of the Consolidated Entity consisted of the following Directors of Australian Primary Hemp Limited:
- Ms. Pauline Gately, Non-Executive Chair
- Mr. Neale Joseph, Chief Executive Officer and Managing Director (appointed as a Director on 8 October 2020)
- Mr. James Hood, Non-Executive Director
- Mr. Cameron Petricevic, Non-Executive Director (resigned as Non-Executive Director on 7 June 2021)
- Mr. Shane Gild, Non-Executive Director (appointed as Non-Executive Director on 7 June 2021)

	Short-term benefits	Post-employment benefits	Long-term benefits	Share-based payments	
30 June 2021	Cash salary and fees $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:					
Pauline Gately (i)	60,271	-	-	50,000	110,271
Cameron Petricevic (iv)	46,656	-	-	50,000	96,656
Shane Gild (v)	5,000	-	-	-	5,000
Executive Directors:					
Neale Joseph (ii)	245,658	22,340	1,361	53,636	322,995
James Hood (iii)	167,021	12,175	-	-	179,196
	524,606	34,515	1,361	153,636	714,118

(i) Pauline Gately was appointed as Chair of the Board on 8 October 2020.
(ii) Neale Joseph was appointed as Managing Director on 8 October 2020.
(iii) James Hood resigned as Executive Director and Chief Operating Officer on 19 May 2021. Mr Hood remains as a Non-Executive Director.
(iv) Cameron Petricevic resigned as Non-Executive Director on 7 June 2021.
(v) Shane Gild was appointed as Non-Executive Director on 7 June 2021.

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

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

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

	Fixed remuneration		At risk	
Name	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Non-Executive Directors:				
Pauline Gately	55%	100%	45%	-
Cameron Petricevic	48%	100%	52%	-
Lynden Polonsky	-	100%	-	-
Shane Gild	100%	-	-	-
Executive Directors:				
Neale Joseph	83%	97%	17%	3%
Melanie Leydin	-	100%	-	-
Charles Mann	-	100%	-	-
James Hood	100%	100%	-	-

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

Name:	Neale Joseph
Title:	Chief Executive Officer and Managing Director
Agreement commenced:	13 March 2020
Term of agreement:	Current package term is up to 30 June 2022
Details:	Total remuneration package of $345,000 per annum (inclusive of superannuation) plus entitlements (such as sick leave, annual leave, and long service leave). Short-term incentive is up to $100,000 or scrip equivalent and long-term incentive is up to $230,000 of performance rights (subject to shareholder approval). The executive can terminate the contract with 6 months' notice. The Company can terminate the agreement with 6 months' notice, or payment in lieu thereof. Termination without notice by the Company in the event of serious misconduct or breach of law or the employment agreement.

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

Share-based compensation

Issue of shares
There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2021.

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Pauline Gately	334,000	22 October 2020	22 October 2020	22 October 2023	$0.26	$0.150
Cameron Petricevic	334,000	22 October 2020	22 October 2020	22 October 2023	$0.26	$0.150

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Number of options granted during the year 30 June 2021	Number of options granted during the year 30 June 2020	Number of options vested during the year 30 June 2021	Number of options vested during the year 30 June 2020
Pauline Gately	334,000	-	334,000	-
Cameron Petricevic	334,000	-	334,000	-

Performance rights
There were no performance rights over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

The number of performance rights over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Number of rights granted during the year 30 June 2021	Number of rights granted during the year 30 June 2020	Number of rights vested during the year 30 June 2021	Number of rights vested during the year 30 June 2020
Neale Joseph*	-	1,000,000	1,000,000	-

* On 27 April 2021, the Company issued 1,000,000 ordinary shares to the CEO Neale Joseph on the conversion of Performance Rights having achieved key performance milestones as announced on 13 March 2020 and 15 June 2020.

Additional information
The earnings of the Consolidated Entity for the five years to 30 June 2021 are summarised below:

	2021 $	2020 $	2019 $	2018 $	2017 $
Sales revenue / interest income	1,889,341	1,158,785	862,630	8,244	21,561
Profit before income tax	(4,393,305)	(5,914,274)	(966,561)	(372,647)	(540,291)
Loss after income tax	(4,393,305)	(5,914,274)	(966,561)	(372,647)	(540,291)

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

	2021	2020	2019	2018	2017
Share price at financial year end ($)	0.34	0.11	0.01	0.01	0.01
Basic earnings per share (cents per share)	(0.05)	(0.11)	(0.09)	(0.12)	(0.17)
Diluted earnings per share (cents per share)	(0.05)	(0.11)	(0.09)	(0.12)	(0.17)

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Shares acquired as part of acquisition	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Pauline Gately	50,000	-	-	-	50,000
Neale Joseph (i)	33,896	-	1,000,000	-	1,033,896
James Hood (ii)	5,320,000	2,280,000	-	-	7,600,000
Cameron Petricevic (iii)	4,999,999	-	-	(4,999,999)	-
Shane Gild (iv)	-	-	-	500,000	500,000
	10,403,895	2,280,000	1,000,000	(4,499,999)	9,183,896

(i) On 27 April 2021, the Company issued 1,000,000 ordinary shares to the CEO Neale Joseph on the conversion of Performance Rights having achieved key performance milestones as announced on 13 March 2020 and 15 June 2020.
(ii) Shares issued to Mr. Hood were in relation to the acquisition of AusHemp. On 21 October 2020, the Company issued 6,525,000 ordinary shares following completion of the Deferred Period set out in Section 3.2 of the Replacement Prospectus of 16 September 2019 and Section 1.3.1 of the Notice of Annual General Meeting held on 16 September 2019 (Deferred Consideration Shares). The issue of the Deferred Consideration Shares represents the full and final settlement of the acquisition of Australian Primary Hemp Pty Limited. The Deferred Consideration Shares are subject to voluntary escrow until 2 October 2021.
(iii) Cameron Petricevic resigned from Non-Executive Director on 7 June 2021 and “other” represents Mr Petricevic’s holding at his resignation date
(iv) Shane Gild was appointed as Non-Executive Director on 7 June 2021 and “other” represents Mr Gild’s holdings at his commencement date.

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Pauline Gately (i)	-	334,000	-	-	334,000
James Hood	5,369,231	-	-	-	5,369,231
Cameron Petricevic (i) (ii)	1,216,904	334,000	-	(1,550,904)	-
	6,586,135	668,000	-	(1,550,904)	5,703,231

(i) The Company issued options over ordinary shares to Ms. Gately and Mr. Petricevic. These options were unlisted and issued at an exercise price of $0.26, expiring on 22 October 2023.
(ii) Cameron Petricevic resigned from Non-Executive Director on 7 June 2021 and “other” represents Mr Petricevic’s holding at his resignation date

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

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

* On 27 April 2021, the Company issued 1,000,000 ordinary shares to the CEO Neale Joseph on the conversion of Performance Rights having achieved key performance milestones as announced on 13 March 2020 and 15 June 2020.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Australian Primary Hemp Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 October 2019	2 October 2022	$0.26	10,354,284
22 October 2020	22 October 2023	$0.26	668,000
28 January 2021	31 December 2023	$0.45	833,334
28 January 2021	31 December 2023	$0.55	833,333
28 January 2021	31 December 2023	$0.65	833,333
			13,522,284

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

Shares under performance rights
There were no unissued ordinary shares of Australian Primary Hemp Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Australian Primary Hemp Limited issued on the exercise of options during the year ended 30 June 2021 (2020: Nil) and up to the date of this report.

Shares issued on the exercise of performance rights
The following ordinary shares of Australian Primary Hemp Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of shares issued
27 April 2021	$0.00	1,000,000

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

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

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

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

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

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

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

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

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

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

On behalf of the Directors

P. Gately

Pauline Gately
Non-Executive Chair

31 August 2021

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Auditor's Independence Declaration

To the Directors of Australian Primary Hemp Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Australian Primary Hemp Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance

Melbourne, 31 August 2021

Contents

Australian Primary Hemp Limited and Consolidated Entities
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Revenue	5	1,889,341	1,158,785
Other income	6	180,000	112,000
Interest income		462	1,105
Expenses			
Raw materials, inventories and consumables used		(1,089,227)	(958,813)
Professional and consulting fees		(1,486,495)	(4,069,775)
Employee benefits expenses	7	(2,028,874)	(1,346,371)
Depreciation and amortisation expenses	7	(149,262)	(126,283)
Other expenses		(1,609,430)	(531,406)
Finance costs	7	(99,820)	(153,516)
Loss before income tax expense		(4,393,305)	(5,914,274)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the Owners of Australian Primary Hemp Limited		(4,393,305)	(5,914,274)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the Owners of Australian Primary Hemp Limited		(4,393,305)	(5,914,274)
		Cents	**Cents**
Basic earnings per share	33	(5.33)	(10.87)
Diluted earnings per share	33	(5.33)	(10.87)

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

	Note	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Assets			
Current assets			
Cash and cash equivalents	9	4,100,563	2,345,368
Trade and other receivables	10	673,131	169,119
Inventories	11	2,563,347	944,444
Prepayments		137,888	92,351
Total current assets		7,474,929	3,551,282
Non-current assets			
Property, plant and equipment	13	849,218	862,386
Right-of-use assets	12	181,575	135,948
Prepayments		77,330	133,899
Total non-current assets		1,108,123	1,132,233
Total assets		8,583,052	4,683,515
Liabilities			
Current liabilities			
Trade and other payables	14	1,714,870	256,824
Borrowings	15	267,667	270,076
Lease liabilities	16	79,268	40,664
Employee benefits	17	119,088	53,260
Total current liabilities		2,180,893	620,824
Non-current liabilities			
Borrowings	15	968,583	1,219,718
Lease liabilities	16	110,712	95,284
Employee benefits	17	9,205	5,095
Total non-current liabilities		1,088,500	1,320,097
Total liabilities		3,269,393	1,940,921
Net assets		5,313,659	2,742,594
Equity			
Issued capital	18	17,635,363	11,660,353
Reserves	19	1,218,200	228,840
Accumulated losses		(13,539,904)	(9,146,599)
Total equity		5,313,659	2,742,594

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

Australian Primary Hemp Limited and Consolidated Entities
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	100	-	(3,232,325)	(3,232,225)
Loss after income tax expense for the year	-	-	(5,914,274)	(5,914,274)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,914,274)	(5,914,274)
Transactions with Owners in their capacity as Owners:				
Contributions of equity, net of transaction costs (note 18)	11,649,003	-	-	11,649,003
Share-based payments (note 34)	-	240,090	-	240,090
Shares issued for services rendered	11,250	(11,250)	-	-
Balance at 30 June 2020	11,660,353	228,840	(9,146,599)	2,742,594

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2020	11,660,353	228,840	(9,146,599)	2,742,594
Loss after income tax expense for the year	-	-	(4,393,305)	(4,393,305)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,393,305)	(4,393,305)
Transactions with Owners in their capacity as Owners:				
Contributions of equity, net of transaction costs (note 18)	5,975,010	-	-	5,975,010
Share-based payments (note 34)	-	989,360	-	989,360
Balance at 30 June 2021	17,635,363	1,218,200	(13,539,904)	5,313,659

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

Australian Primary Hemp Limited and Consolidated Entities
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,533,290	1,124,350
Payments to suppliers and employees (inclusive of GST)		(5,390,110)	(4,028,345)
		(3,856,820)	(2,903,995)
Interest received		480	1,105
Other revenue		44,907	-
Interest and other finance costs paid		(102,292)	(137,094)
COVID-19-related government grants		180,000	112,000
Net cash used in operating activities	31	(3,733,725)	(2,927,984)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(121,580)	(277,269)
Cash acquired on reverse acquisition		-	5,592,263
Proceeds from disposal of property, plant and equipment		10,269	-
Net cash from/(used in) investing activities		(111,311)	5,314,994
Cash flows from financing activities			
Net of cost proceeds from issue of shares	18	5,898,880	-
Proceeds from convertible note	32	-	800,000
Share application refunds		-	(65,500)
Share issue transaction costs		-	(137,257)
Repayment of borrowings	32	(253,544)	(596,978)
Payment of principal element of lease liabilities		(45,105)	(46,281)
Net cash from/(used in) financing activities		5,600,231	(46,016)
Net increase in cash and cash equivalents		1,755,195	2,340,994
Cash and cash equivalents at the beginning of the financial year		2,345,368	4,374
Cash and cash equivalents at the end of the financial year	9	4,100,563	2,345,368

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

1. General information

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

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

Registered office	Principal place of business
Level 4, 100 Albert Road South Melbourne VIC 3205	53 Riversdale Road Newtown VIC 3220

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 August 2021. The Directors have the power to amend and reissue the financial statements.

2. Significant accounting policies

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

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

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

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

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)
The April 2021 decision released by IFRS considers how a customer accounts for configuration or customisation costs where an intangible asset is not recognised.

In the fact pattern presented the supplier (not customer) controls the cloud application software to which the customer has access. As such any configuration or customisation costs incurred by the customer do not create a resource controlled by the customer that is separate from the software.

Where these costs do not create a resource controlled by the customer that is separate to the software, the customer considers IAS 38.69 which requires the customer to recognise configuration or customisation costs as an expense when it receives the configuration or customisation services. IAS 38.69A specifies that services are received when they are performed by a supplier in accordance with a contract to deliver them to the entity – and not when the entity uses them to deliver another service. So, for configuration and customisation services received – the costs are expensed as the service is received and not when the customer accesses the SaaS arrangement to which the configuration and customisation services relates.

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

2. Significant accounting policies (continued)

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

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

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 28.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Primary Hemp Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Australian Primary Hemp Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

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

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

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

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

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

2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

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

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses, and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2021. The Consolidated Entity expect that none of these new standards and interpretations will materially impact these financial statements.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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

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

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

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

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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

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

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

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

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

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

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

4. Operating segments

Identification of reportable operating segments
The Consolidated Entity is currently organised into one operating segment – product division.

Major customers
During the year ended 30 June 2021 approximately 14.64% (2020: 26.6%) of the Consolidated Entity's external revenue was derived from sales to an Australian customer.

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

5. Revenue

	Consolidated	
	30 June 2021	**30 June 2020**
	$	**$**
Revenue from contracts with customers		
Goods transferred at a point in time	1,844,434	1,146,665
Other revenue		
Commissions for services transferred at a point in time	-	238
Other revenue	44,907	11,882
	44,907	12,120
Revenue	1,889,341	1,158,785

Revenue
The Consolidated Entity recorded net sales of $1,844,434 for the year ended (30 June 2020: $1,146,665). Other revenue mainly includes sale of cultivation seeds amounting to $43,219.

5. Revenue (continued)

Accounting policy for revenue recognition
The Consolidated Entity recognises revenue as follows:

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

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

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

6. Other income

	Consolidated	
	30 June 2021	30 June 2020
	$	$
COVID-19-related government grants	180,000	112,000

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

7. Expenses

	Consolidated	
	30 June 2021	**30 June 2020**
	$	**$**
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	12,233	12,100
Plant and equipment	62,051	54,708
Motor vehicles	7,575	9,386
Office equipment	8,856	6,770
Leasehold improvements right-of-use assets	58,547	43,319
Total depreciation	149,262	126,283
Finance costs		
Interest and finance charges paid/payable on borrowings	92,800	151,797
Interest and finance charges paid/payable on lease liabilities	7,020	1,719
Finance costs expensed	99,820	153,516
Superannuation expense		
Defined contribution superannuation expense	123,527	88,784
Share-based payments expense		
Share-based payments expense	319,136	3,055
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	1,586,209	1,254,532
Research costs		
Research costs	-	1,354

8. Income tax expense

	Consolidated	
	30 June 2021	**30 June 2020**
	$	**$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,393,305)	(5,914,274)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(1,142,259)	(1,626,425)
Current year temporary differences not recognised	52,734	(16,382)
Non-deductible expenses	315,003	5,927
Acquisition related costs	-	1,119,188
Unrecognised deferred tax balance in respect of current year losses	781,022	486,892
Non assessable income	(6,500)	30,800
Income tax expense	-	-

8. Income tax expense (continued)

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	73,832,245	68,245,559
Potential tax benefit @ 26%	19,196,384	17,743,845

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The deferred tax asset relating to carry forward losses has not been recognised in the financial statement and will only be recognised if:
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) the Company can meet the continuity of business test, or failing that, the same business test.

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	11,026	4,407
Employee benefits	48,883	18,015
Accrued expenses	26,446	12,021
Capital raising costs	69,293	133,593
Right-of-use assets	(218)	(815)
Total deferred tax assets not recognised	155,430	167,221

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

9. Cash and cash equivalents

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Current assets		
Cash on hand	100	100
Cash at bank	4,100,463	2,345,268
	4,100,563	2,345,368

Accounting policy for cash and cash equivalents
Cash and cash equivalents include 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.

10. Trade and other receivables

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Current assets		
Trade receivables	544,413	133,130
Less: Allowance for expected credit losses	(23,000)	(16,025)
	521,413	117,105
Sundry debtors	14,404	-
BAS receivable	137,314	52,014
	673,131	169,119

Allowance for expected credit losses
The Consolidated Entity has recognised allowance for expected credit loss of $23,000 in the profit or loss for the year ended 30 June 2021 (2020: $16,025).

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Consolidated	%	%	$	$	$	$
Not overdue	-	-	391,444	72,277	-	-
1 to 3 months	-	-	131,304	12,662	-	-
Over 3 months	4%	33%	21,665	48,191	23,000	16,025
			544,413	133,130	23,000	16,025

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

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Opening balance	16,025	-
Additional provisions recognised	6,975	16,025
Closing balance	23,000	16,025

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

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

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

11. Inventories

	Consolidated	
	30 June 2021 $	30 June 2020 $
Current assets		
Raw materials - at lower of cost and net realisable value	1,875,548	564,748
Finished goods - at lower of cost and net realisable value	687,799	379,696
	2,563,347	944,444

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

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

12. Right-of-use assets

	Consolidated	
	30 June 2021 $	30 June 2020 $
Non-current assets		
Land and buildings - right-of-use	370,081	265,907
Less: Accumulated depreciation	(188,506)	(129,959)
	181,575	135,948

Additions to the right-of-use assets during the year were $104,174.

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

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

Consolidated	Land and buildings - right-of-use $	Total $
Balance at 1 July 2019	43,319	43,319
Additions	135,948	135,948
Depreciation expense	(43,319)	(43,319)
Balance at 30 June 2020	135,948	135,948
Additions	104,174	104,174
Depreciation expense	(58,547)	(58,547)
Balance at 30 June 2021	181,575	181,575

12. Right-of-use assets (continued)

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

13. Property, plant and equipment

	Consolidated	
	30 June 2021	**30 June 2020**
	$	**$**
Non-current assets		
Leasehold improvements - at cost	203,301	199,533
Less: Accumulated depreciation	(42,682)	(30,449)
	160,619	169,084
Plant and equipment - at cost	823,322	767,871
Plant and equipment - work in progress	-	31,030
Less: Accumulated depreciation	(219,999)	(159,605)
	603,323	639,296
Motor vehicles - at cost	69,270	69,270
Less: Accumulated depreciation	(35,850)	(28,275)
	33,420	40,995
Office equipment - at cost	72,339	24,637
Less: Accumulated depreciation	(20,483)	(11,626)
	51,856	13,011
	849,218	862,386

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

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Office equipment $	Assets under construction $	Total $
Balance at 1 July 2019	153,506	458,447	50,381	5,747	-	668,081
Additions	27,678	204,527	-	14,034	31,030	277,269
Depreciation expense	(12,100)	(54,708)	(9,386)	(6,770)	-	(82,964)
Balance at 30 June 2020	169,084	608,266	40,995	13,011	31,030	862,386
Additions	3,768	55,451	-	47,702	(3,100)	103,821
Write off of assets	-	-	-	-	(27,930)	(27,930)
Depreciation expense	(12,233)	(60,394)	(7,575)	(8,857)	-	(89,059)
Balance at 30 June 2021	160,619	603,323	33,420	51,856	-	849,218

Accounting policy for property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

13. Property, plant and equipment (continued)

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

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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

14. Trade and other payables

	Consolidated	
	30 June 2021 $	30 June 2020 $
Trade payables	617,333	40,058
Other payables	1,097,537	216,766
	1,714,870	256,824

Refer to note 21 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

15. Borrowings

	Consolidated	
	30 June 2021 $	30 June 2020 $
Current liabilities		
Commercial loans	267,667	270,076
Non-current liabilities		
Commercial loans	968,583	1,219,718
	1,236,250	1,489,794

Refer to note 21 for further information on financial instruments.

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

15. Borrowings (continued)

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

16. Lease liabilities

	Consolidated	
	30 June 2021 $	30 June 2020 $
Current liabilities		
Lease liability	79,268	40,664
Non-current liabilities		
Lease liability	110,712	95,284
	189,980	135,948

Refer to note 21 for further information on financial instruments.

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

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

  - The Consolidated Entity has the right to operate the asset; or
  - The Consolidated Entity designed the asset in a way that predetermine how and for what purpose it will be used.

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

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

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

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

16. Lease liabilities (continued)

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

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

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

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

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

17. Employee benefits

	Consolidated	
	30 June 2021	**30 June 2020**
	$	**$**
Current liabilities		
Annual leave	119,088	53,260
Non-current liabilities		
Long service leave	9,205	5,095
	128,293	58,355

Accounting policy for employee benefits

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

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

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

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18. Issued capital

	Consolidated			
	30 June 2021 Shares	**30 June 2020 Shares**	**30 June 2021 $**	**30 June 2020 $**
Ordinary shares - fully paid	96,605,135	69,755,136	17,635,363	11,660,353

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2019	16,234,845		100
Shares issued as part of debt conversion	3 October 2019	-	$0.00	1,326,750
Shares issued in relation to acquisition of a subsidiary	3 October 2019	15,225,000	$0.21	3,247,235
Shares issued to advisors in lieu of fees for services and an investment opportunity	3 October 2019	5,250,000	$0.20	1,050,000
Shares issued as part of debt conversion	3 October 2019	4,320,291	$0.20	879,000
Share issued	3 October 2019	28,500,000	$0.20	5,700,000
Issue of shares for advisory board services	27 March 2020	225,000	$0.05	11,250
Costs of issuing shares		-	$0.00	(553,982)
Balance	30 June 2020	69,755,136		11,660,353
Shares issued in relation to acquisition of subsidiary	21 October 2020	6,525,000	$0.00	-
Shares issued to institutional and sophisticated investors	27 January 2021	16,200,000	$0.32	5,184,000
Costs of issuing shares	27 January 2021	-	$0.00	(265,680)
Share issued through Share Purchase Plan	18 February 2021	3,124,999	$0.32	1,000,000
Share issued on conversion of Performance Rights	27 April 2021	1,000,000	$0.06	56,690
Balance	30 June 2021	96,605,135		17,635,363

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

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

On 27 April 2021, the Company issued 1,000,000 ordinary shares to the CEO Neale Joseph on the conversion of Performance Rights having achieved key performance milestones as announced on 13 March 2020 and 15 June 2020.

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

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

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

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

18. Issued capital (continued)

Capital risk management

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for Shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Consolidated Entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses.

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

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

19. Reserves

	Consolidated	
	30 June 2021	**30 June 2020**
	$	**$**
Share-based payments reserve	1,218,200	228,840

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

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

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

19. Reserves (continued)

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

Consolidated	Share-based payments reserve $	Total $
Balance at 1 July 2019	-	-
Cost of share-based payments	240,090	240,090
Shares issued	(11,250)	(11,250)
Balance at 30 June 2020	228,840	228,840
Cost of share-based payments	989,360	989,360
Balance at 30 June 2021	1,218,200	1,218,200

20. Dividends

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

21. Financial instruments

Financial risk management objectives
The Consolidated Entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis.

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

Market risk

Foreign currency risk
The Consolidated Entity's main exposure to exchange rate risk relates primarily to trade payable US dollars and Euro, arising from its operations. Where a payable is significant, US dollars and Euro may be purchased on incurring the liability or commitment. There is no outstanding trade payable denominated in foreign currencies at 30 June 2021 and 2020.

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

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

For the Consolidated Entity, the loans outstanding totalling to $1,236,250 (2020: $1,489,794), are principal and interest payment loans secured at fixed rate.

Quarterly cash outlays of approximately $19,348 (2020: $12,989) per quarter are required to service the interest payments over the remaining life of these interest-bearing loans. In addition, minimum principal prepayments of $267,667 (2020: $270,076) are due during the year ending 30 June 2021.

21. Financial instruments (continued)

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

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

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

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

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

Financing arrangements
There are no unused borrowing facilities at 30 June 2021 and 2020.

Remaining contractual maturities
The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 30 June 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	617,333	-	-	-	617,333
Other payables	-	1,145,994	-	-	-	1,145,994
Interest-bearing - fixed rate						
Commercial loans	5.70%	335,191	304,243	534,016	342,628	1,516,078
Lease liability	6.00%	86,982	90,756	23,917	-	201,655
Total non-derivatives		2,185,500	394,999	557,933	342,628	3,481,060

21. Financial instruments (continued)

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

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

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

22. Fair value measurement

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs, and minimising the use of unobservable inputs.

23. Key management personnel disclosures

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

Ms. Pauline Gately	Non-Executive Chair
Mr. Neale Joseph	Chief Executive Officer and Managing Director (appointed as a Director on 8 October 2020)
Mr. James Hood	Non-Executive Director
Mr. Cameron Petricevic	Non-Executive Director (resigned as Non-Executive Director on 7 June 2021)
Mr. Shane Gild	Non-Executive Director (appointed as Non-Executive Director on 7 June 2021)

23. Key management personnel disclosures (continued)

Compensation

	Consolidated	
	30 June 2021 $	**30 June 2020 $**
Short-term employee benefits	524,606	506,266
Post-employment benefits	34,515	28,009
Long-term benefits	1,361	2,215
Share-based payments	153,636	3,055
	714,118	539,545

24. Remuneration of auditors

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

	Consolidated	
	30 June 2021 $	**30 June 2020 $**
Audit services - Grant Thornton		
Audit or review of the financial statements	57,000	49,000

25. Contingent assets and liabilities

No contingent assets or liabilities exist at the year-ended 30 June 2021 or at year-ended 30 June 2020.

26. Commitments

No capital commitments existed at the year-ended 30 June 2021 or 30 June 2020.

27. Related party transactions

Parent entity
Australian Primary Hemp Limited is the legal parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivables from and payable to related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2021	**30 June 2020**
	$	**$**
Loss after income tax	(2,509,016)	(2,385,738)
Total comprehensive income	(2,509,016)	(2,385,738)

Statement of financial position

	Parent	
	30 June 2021	**30 June 2020**
	$	**$**
Total current assets	3,543,401	1,133,374
Total assets	4,574,194	2,131,708
Total current liabilities	9,635,923	4,452,824
Total liabilities	10,724,423	5,772,921
Equity		
Issued capital	1,976,850	1,976,850
Accumulated losses	(8,127,079)	(5,618,063)
Total deficiency in equity	(6,150,229)	(3,641,213)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

29. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 30 June 2021 %	Ownership interest 30 June 2020 %
Alchemia Oncology Pty Ltd	Australia	100.00%	100.00%
Australian Primary Hemp Pty Ltd	Australia	100.00%	100.00%

30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

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

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Loss after income tax expense for the year	(4,393,305)	(5,914,274)
Adjustments for:		
Depreciation and amortisation	149,262	126,283
Write off of property, plant and equipment	27,930	-
Net gain on disposal of property, plant and equipment	(1,688)	-
Share-based payments	989,362	228,840
Foreign exchange differences	12,578	-
Non-cash acquisition expenses	-	3,796,227
Insurance premium funding in payables	65,201	-
Other adjustments	834	-
Change in operating assets and liabilities:		
Increase in inventories	(1,618,903)	(562,776)
(Increase) / Decrease in trade and other receivables	(504,012)	41,116
Decrease / (Increase) in prepayments	11,032	(39,951)
Decrease in provision for income tax	-	(7,031)
Increase in employee benefits	69,938	22,759
Increase / (Decrease) in trade and other payables	1,458,046	(619,177)
Net cash used in operating activities	(3,733,725)	(2,927,984)

32. Changes in liabilities arising from financing activities

Consolidated	Convertible notes $	Related party loan $	Commercial loans $	Lease liability $	Total $
Balance at 1 July 2019	-	1,745,657	2,346,865	46,281	4,138,803
Loans received	800,000	-	-	-	800,000
Changes through business combinations	-	-	(600,000)	-	(600,000)
Loan repayments	-	(339,907)	(257,071)	(46,281)	(643,259)
Conversion to share capital	(800,000)	(1,405,750)	-	-	(2,205,750)
Balance at 30 June 2020	-	-	1,489,794	-	1,489,794
Loan repayments	-	-	(253,544)	-	(253,544)
Balance at 30 June 2021	-	-	1,236,250	-	1,236,250

33. Earnings per share

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Loss after income tax attributable to the Owners of Australian Primary Hemp Limited	(4,393,305)	(5,914,274)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	82,469,656	54,391,449
Weighted average number of ordinary shares used in calculating diluted earnings per share	82,469,656	54,391,449
	Cents	**Cents**
Basic earnings per share	(5.33)	(10.87)
Diluted earnings per share	(5.33)	(10.87)

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the Owners of Australian Primary Hemp Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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

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

For financial year ended 30 June 2021 outstanding options and performance rights totalling to 13,522,284 (2020: 11,354,284) are anti-dilutive and are therefore excluded from the calculation of diluted earnings per share.

34. Share-based payments

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

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

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

	Number of options 30 June 2021	Weighted average exercise price 30 June 2021	Number of options 30 June 2020	Weighted average exercise price 30 June 2020
Outstanding at the beginning of the financial year	10,354,284	$0.26	-	$0.00
Granted	3,168,000	$0.49	10,354,284	$0.26
Outstanding at the end of the financial year	13,522,284	$0.31	10,354,284	$0.26

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

** On 28 January 2021, the Company issued 2,500,000 unlisted options to Canaccord pursuant to the Engagement letter dated 18 December 2020 for Corporate Advisory Services.

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/10/2019	02/10/2022	$0.26	7,692,308	-	-	-	7,692,308
03/10/2019	02/10/2022	$0.26	1,521,129	-	-	-	1,521,129
03/10/2019	02/10/2022	$0.26	1,140,847	-	-	-	1,140,847
22/10/2020	22/10/2023	$0.26	-	334,000	-	-	334,000
22/10/2020	22/10/2023	$0.26	-	334,000	-	-	334,000
28/01/2021	31/12/2023	$0.45	-	833,334	-	-	833,334
28/01/2021	31/12/2023	$0.55	-	833,333	-	-	833,333
28/01/2021	31/12/2023	$0.65	-	833,333	-	-	833,333
			10,354,284	3,168,000	-	-	13,522,284
Weighted average exercise price			$0.26	$0.49	$0.00	$0.00	$0.31

30 June 2020

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

34. Share-based payments (continued)

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

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

	Number of rights 30 June 2021	Weighted average exercise price 30 June 2021	Number of rights 30 June 2020	Weighted average exercise price 30 June 2020
Outstanding at the beginning of the financial year	1,000,000	$0.00	-	$0.00
Granted during the year as part of remuneration*	-	$0.00	1,000,000	$0.00
Exercised	(1,000,000)	$0.00	-	$0.00
Outstanding at the end of the financial year	-	$0.00	1,000,000	$0.00

* On 27 April 2021, the Company issued 1,000,000 ordinary shares to the CEO Neale Joseph on the conversion of Performance Rights having achieved key performance milestones as announced on 13 March 2020 and 15 June 2020.

30 June 2021

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

30 June 2020

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

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
22/10/2020	22/10/2023	$0.19	$0.26	153.88%	-	0.18%	$0.150
28/01/2021	31/12/2023	$0.45	$0.45	153.88%	-	0.11%	$0.365
28/01/2021	31/12/2023	$0.45	$0.55	153.88%	-	0.11%	$0.357
28/01/2021	31/12/2023	$0.45	$0.65	153.88%	-	0.11%	$0.349

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

34. Share-based payments (continued)

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

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

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

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

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

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

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

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

On behalf of the Directors

P. Gately

Pauline Gately
Non-Executive Chair

31 August 2021

Grant Thornton

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Independent Auditor's Report

To the Members of Australian Primary Hemp Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Australian Primary Hemp Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue [Note 5]	
The Group derives revenue through the sale of goods which are performed under a combination of individual contractual agreements. Although the major revenue streams do not require significant management judgement to calculate revenue, the recognition of revenue requires the processing of significant volumes of transaction data to calculate revenue in accordance with contractual agreements. We have determined the occurrence of revenue to be a key audit matter due to the significance of the balance, and volume of transactions.	Our procedures included, amongst others: • Reviewing the revenue recognition policy of the Group for compliance with AASB 15 *Revenues from Contracts with Customers*; • Performing analytical procedures to understand movements and trends in revenue; • Selecting a sample of revenue transactions which occurred during the period and verifying they were appropriately recognised by inspecting source documents; • Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct period; and • Assessing the adequacy of the Group's revenue disclosures within the financial statements

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Australian Primary Hemp Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance

Melbourne, 31 August 2021

The Shareholder information set out below was applicable as at 19 August 2021.

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

	Number of holders of ordinary shares	Total units	%	Number of holders of options	Total units	%
1 to 1,000	3,310	647,369	0.67%	-	-	-
1,001 to 5,000	1,104	2,608,127	2.70%	-	-	-
5,001 to 10,000	269	2,049,475	2.12%	-	-	-
10,001 to 100,000	389	11,308,005	11.71%	-	-	-
100,001 and over	92	79,992,159	82.80%	19	13,522,284	100.00%
	5,164	96,605,135		19	13,522,284	

Equity security holders

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

	Ordinary shares Number held	% of total shares issued
CIA MANN FAMILY PTY LTD	11,050,000	11.44
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,269,465	8.56
JAMES ROBERT HOOD PTY LTD	7,600,000	7.87
TTOR PTY LTD	4,999,999	5.18
COTTON ON INNOVATION FUND PTY LTD	3,984,375	4.12
UBS NOMINEES PTY LTD	2,893,750	3.00
INTERDALE PTY LTD	2,843,750	2.94
JASFORCE PTY LTD	2,443,750	2.53
SEM PATTERSON PTY LTD	2,200,000	2.28
CROFTON PARK DEVELOPMENT PTY LTD	2,083,750	2.16
CG NOMINEES (AUSTRALIA) PTY LTD	2,000,000	2.07
SCALZO TRADING CO PROPRIETARY LIMITED	1,250,000	1.29
LD FIFTY LTD	1,250,000	1.29
MR ASHLEY JAMES HARDWICK	1,193,750	1.24
NA INVESTMENTS (VIC) NO 2 PTY LTD	1,100,000	1.14
BRITTANY PTY LTD	1,100,000	1.14
PETER JOHNSON & KIM JOHNSON	1,100,000	1.14
CITICORP NOMINEES PTY LIMITED	1,084,986	1.12
BCI HOLDINGS PTY LTD	1,055,000	1.09
MUTUAL TRUST PTY LTD	1,039,705	1.08
	60,542,280	62.68

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
CIA Mann Family Pty Ltd	11,050,000	11.44
HSBC Custody Nominees (Australia) Limited	8,269,465	8.56
James Robert Hood Pty Ltd	7,600,000	7.87
TTOR Pty Ltd	4,999,999	5.18

	Options over ordinary shares	
	Number held	% of total options issued
James Robert Hood Pty Ltd	5,369,231	39.71

Voting rights

The voting rights attached to ordinary shares are set out below:

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

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Fully Paid Ordinary Shares	24 months from date of issue (2 October 2021)	6,157,791
Unlisted Options Ordinary Shares	24 months from the date of grant (2 October 2021)	9,213,437
		15,371,228

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Consolidated Entity states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company. Consistent with the use of funds which were disclosed under the Replacement Prospectus dated 16 September 2019, the Consolidated Entity believes it has used its cash in a consistent manner for the following purposes:
- Build-up of inventory (including hemp seed and finished hemp grain product)
- Acquisition of equipment for expansion
- Loan repayments
- Paying expenses of the acquisition
- Meeting working capital (including strengthening of the management team)