



# X-HEMP PTY LTD

## Crowd-Sourced Funding Offer Document

**DATED 13TH NOVEMBER 2024**

Offer of fully-paid ordinary shares in X-Hemp Pty Ltd at \$2.70 per share  
to raise a maximum of \$1,700,000

This crowd-sourced funding (**CSF**) offer document relates to the Offer of fully-paid ordinary shares in X-Hemp Pty Ltd. This Offer is made under the CSF regime in Part 6D.3A of the *Corporations Act 2001* (**Corporations Act**).

### ISSUER

X-Hemp Pty Ltd ACN 644 320 187

### INTERMEDIARY

Birchal Financial Services Pty Ltd ACN 621 812 646 AFSL 502618

*Always consider the general CSF risk warning and offer document before investing.*





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## Section 1: Risk Warning

Crowd-sourced funding is risky. Issuers using this facility include new or rapidly growing ventures. Investment in these types of ventures is speculative and carries high risks.

You may lose your entire investment, and you should be in a position to bear this risk without undue hardship.

Even if the company is successful, the value of your investment and any return on the investment could be reduced if the company issues more shares.

Your investment is unlikely to be liquid. This means you are unlikely to be able to sell your shares quickly or at all if you need the money or decide that this investment is not right for you.

Even though you have remedies for misleading statements in the offer document or misconduct by the company, you may have difficulty recovering your money.

There are rules for handling your money. However, if your money is handled inappropriately or the person operating the platform on which this offer is published becomes insolvent, you may have difficulty recovering your money.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself to any investment.







## Section 2: Information About the Company

### Letter from the Founder

My name is Andi Lucas, and I am the founder of X-Hemp.

One year ago, my team and I were celebrating the close of our first ever CSF raise on Birchal.

At that time, we welcomed over 900 new shareholders, a group of people who believe in the work we're doing as passionately as we do, and who collectively invested over \$1.5 million into our business.

One month later, the Federal Government announced that X-Hemp had been awarded the maximum allocation of \$480,000 under the Boosting Female Founders scheme.

Last year, we set our seed capital maximum target at \$3 million. This is what we need to reach our next stage of growth, and that requirement hasn't changed. We're two-thirds of the way there, so this month, we're once again opening up to retail shareholders like you for a second and final opportunity to get this job done!



There is no denying we've had a tough year. Three external events have caused significant interruptions to production and subsequent hits to expected revenue. In the most recent event, a storm ripped off our newly replaced factory roof in early September, although – incredibly – even that hasn't stopped us, with my amazing Hempettes continuing to push on and get product out the door.

Even with this undeniably bad luck in the mix in 2024, we have achieved an incredible amount since the last capital raise. Those who saw our *Offer Document* in 2023 will notice we have a new address as we were finally able to move to our expanded factory facility and open our first retail store. The larger space has meant new efficiencies, cost savings and – most importantly – we are now ready to truly ramp up production and start bring new products to market.



The construction of our new factory

And while it has been tough, we've managed to stay afloat for a third year running while selling only one of the four outputs we produce (hurd for the construction sector). Hurd comprises about one-third of each bale of hemp we process, and we have spent the time since our last injection of capital



building markets for the other three types of processed hemp. Every single kilo of the bast, fines and dust processed has been stored. These base materials are ready to be converted to sales with minimal additional operating costs associated with their production. The making and selling of these in-demand products is how X-Hemp moves to profitability.



Grand Designs Australia host Anthony Burk



UTAS conceptual drawings

Last month, our company was featured on *Grand Designs Australia*, exposing the material we process and our brand to hundreds of thousands of Aussie's who had never even heard of hemp being used for construction. We are in the process of supplying material to an internationally award winning project in Hobart that will be the largest building using this incredibly eco-friendly material in the country.



X-Hemp hosting Australian Hemp Masonry Company training days

We have hosted four more hempcrete installation training days, bringing the number of folks who have undertaken this course and who now know how to install the wall material to well over a hundred people. We are engaging with more architects, building designers, surveyors and skilled trades than ever before, as the inevitability of moving away from environmentally damaging conventional building materials to truly sustainable alternatives becomes a reality for both commercial and residential customers.

X-Hemp is on a mission to revolutionise construction with sustainable, hemp-based innovations. We are already working hard alongside key partners to establish new industry standards for resilient, non-toxic, and energy-efficient materials, all while fostering community well-being and prioritizing Environmental, Social, and Governance (ESG) principles in everything we do.

This document details our story, achievements, and vision for the future. Every dollar raised now will accelerate our journey to profitability. A successful campaign gives us a chance to leverage every dollar by making us eligible to apply for matched funds grant opportunities, and we're so excited about what lies ahead.

Being able to welcome retail shareholders is a chance to bring impact investing out of the hands of the few to the many, empowering us all to be part of a movement for change. As a wise human once said, "the power of the people is much stronger than the people in power"\*.

We invite you to join us, both as shareholder, and in making a difference.

Sincerely,

**Andi Lucas**

Founder | Managing Director

X-Hemp Pty Ltd



X-HEMP PTY LTD

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## 2.1 Company Details

This offer of shares is made by X-Hemp Pty Ltd ACN 644 320 187 (Company).

COMPANY NAME	X-Hemp Pty Ltd
ACN	644 320 187
DATE OF INCORPORATION	14 September 2020
REGISTERED OFFICE	C/- Ruddicks Accounting, 102 Tamar Street, Launceston 7250 TAS
PRINCIPAL PLACE OF BUSINESS	X-Hemp Factory & Retail Shop, 211 Green Rises Road, Cressy 7302 TAS
DIRECTORS	Andrea (Andi) Louise Lucas Elizabeth (Beth) May Smith
COMPANY SECRETARY	Andrea Louise Lucas
SHARE REGISTRY	Cake Equity Pty Ltd <a href="http://www.cakeequity.com">www.cakeequity.com</a>
WEBSITE	<a href="http://www.xhemp.au">www.xhemp.au</a>

## 2.2 Our Business

X-Hemp is a pioneering force in the sustainable construction sector, specialising in the development of innovative building materials derived from the stalks of low-THC cannabis plants with no drug value, that are commonly known as hemp.

**Our vision** is to redefine construction norms by offering eco-friendly alternatives that combine sustainability, safety and performance, while simultaneously addressing the challenges of climate change, environmental degradation and gender inequality.

**Our Mission** is to replace toxic materials commonly used in the building industry with long term sustainable and eco-friendly materials, starting with hemp-based products that produce healthier buildings, long term sustainable jobs, and a healthier environment for all living things.



### Capturing Carbon

Playing A Real Part In Tackling  
Climate Change



### Healthy Buildings

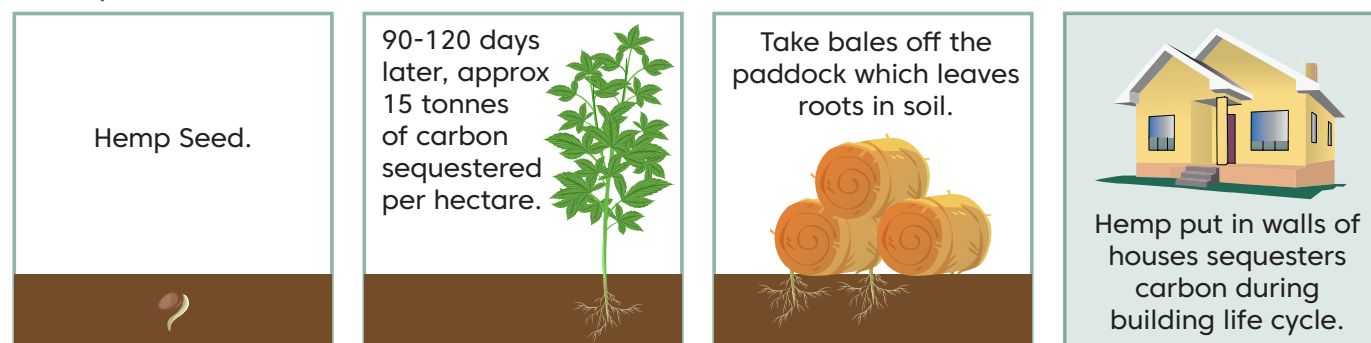
Become Australia's Leading Provider  
of Environmentally Friendly Hemp-  
Based Building Materials



### Supporting Women

Leverage Industry Knowhow & Global  
Relationships to Create Defensibility

### X-Hemp Carbon Process



SOURCES: Fairs, M. Hemp "more effective than trees" at sequestering carbon says Cambridge researcher 2021  
Vosper, J. The Role of Industrial Hemp in Carbon Farming, GoodEarth Resources Pty Ltd



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## Scorecard

Even while dealing with the impacts of enduring three forced shutdowns to production this year – including a catastrophic storm tearing off the recently replaced roof of our new factory – X-Hemp has both survived and achieved all the key commitments made in our last offer.

Below is a scorecard that details how we used every dollar of the \$1.5 million raised in October 2023. We have strengthened and scaled our business exactly as we promised we would, and have had real impact over the past twelve months thanks to the support of over 900 new investors who joined us last year.

STRATEGIC FOCUS	PROGRESS
Marketing	<ul style="list-style-type: none"> <li>• we have tripled the number of followers across all social media platforms</li> <li>• our website was upgraded to include an online shop and systems to handle the rapidly increasing rates of enquiries</li> </ul>
Team Expansion	<ul style="list-style-type: none"> <li>• Operations Manager hired</li> <li>• Admin &amp; Marketing Manager hired</li> <li>• CFO contract renewed for 24-months</li> <li>• Advisory Board committed for second term</li> </ul>
Inventory	<ul style="list-style-type: none"> <li>• 2024 harvest successfully completed</li> <li>• First pieces of new equipment secured to covert stored output into saleable goods</li> </ul>
Construction of New Premises	<ul style="list-style-type: none"> <li>• Move from small agricultural shed to new 1 hectare factory site completed</li> <li>• New HQ has a site office and retail shop, large areas to store our unprocessed bales, and is set-up to facilitate site visits, training and other events</li> <li>• The modular layout is designed to allow for rapid expansion and the easy introduction of new equipment and production processes</li> </ul>



### 2.2.1 X-Hemp Key Milestones Achieved to Date



#### 2020

- MAR:** Business case proving the viability of hemp fibre processing in the state is written (commissioned by peak industry group the Tasmanian Hemp Association under the management of Andi Lucas – then employed as Executive Officer, now serving as President) and outside investment solicited.
- JUL:** Impacts of COVID led to investors stepping back and decision is made by Andi Lucas to raise the necessary pre-seed capital to start the enterprise.
- SEP:** The X-Hemp Pty Ltd entity is founded, dedicated to exploring hemp-based solutions for sustainable construction, and fundraising efforts commence.



#### 2021

- FEB:** Initial funding is successfully secured through the support of 33 private lenders, enabling the placement of the order for the state's first hemp fibre processing equipment and the establishment of our research and development facilities.
- APR:** Our first successful hemp harvest is completed, validating the viability of our supply chain and production processes.
- JUNE:** Processor arrives from Ashford Hemp Industries and factory site construction commences.
- SEPT:** First four staff are hired and processing begins to fulfill purchase orders.
- OCT:** Two hectare trial plots of a new fibre variety are planted to secure supply.
- DEC:** First shipments of processed hemp are sent to building sites around Tasmania.



#### 2022

- MAR:** Three more staff are hired to cover increased production demand and to support Managing Director.
- APR:** Our second season's hemp harvest is completed, baling around 600 hectares of straw – over 700,000 kilos – to ensure raw material supply would meet surging demand.
- JUN:** Results of fibre variety trial are analysed, with agronomist Hannah Cummins from Ben Lomond Agriculture engaged to assist in preparation of report to ensure significant R&D Tax Incentive is received in second year.
- OCT:** Founder Andi is selected by the *Tasmanian Department of Premier and Cabinet* and *Brand Tasmania* as one of 17 representatives for the 'Women of Tasmania' campaign which celebrates women across our home state who lead and support other women.







## 2023

- MAR:** X-Hemp is selected as a finalist in two categories of the *Spirit Super Business Excellence Awards* – Environmental Excellence and Excellence in a Start-Up – and wins the latter, highlighting X-Hemp's growing influence in our local business community.
- APR:** Our third season's harvest is completed, securing our raw material supply for upcoming orders and undertaking R&D with key partners and contractors.
- JUN:** Second Company Director Beth Smith is appointed to comply with legislative changes to the laws governing the CSF process. Beth is a highly respected and trustworthy director and is also Andi's mum.
- JUL:** A production crew from *Grand Designs Australia* spends a day shooting at X-Hemp HQ highlighting the use of hempcrete. This episode was released by ABC iView and went free-to-air in October 2024.
- AUG:** The news of an upcoming contract with the University of Tasmania to supply hemp to what will be the largest building in Australia including hempcrete is announced, to national media attention and a surge in customer interest and demand.
- OCT:** Closed first CSF campaign on Birchall, welcoming over 900 new shareholders and raising \$1.5 million in capital. First of the monthly scheduled meetings of the newly formed Advisory Board with CEO, CFO and Company Director held to ensure our ambitious growth strategy is executed appropriately.
- NOV:** Planted three new areas with fibre varieties for next seasons harvest, executing contracts with experienced licensed hemp farmers and longtime X-Hemp supporters and investors John Heard (Formosa Estate), Henry Smith (Cressy House) and David, Lib and Nic Archer (Woodside).
- DEC:** Awarded maximum possible allocation – \$480,000 – via Federal Government Boosting Female Founders and began works at newly secured site for our expanded factory facility.

## 2024

- MAR:** Harvest start of largest planting area in Tasmania. New baling contractor hired with ongoing exclusive agreement secured.
- APR:** Founder a guest speaker at the fourth biennial Australian Industrial Hemp Conference (Hunter Valley, NSW). Fourth successful harvest completed (1,000+ bales) of retted hemp – secured for 2025 processing.
- MAY:** New factory site completed and regular operations commence with immediate increased throughput rates. Recruitment of Operations Manager advertised, garnering many high calibre applicants. Two eventual hires - Admin Manager (immediate start) and Operations Manager (start date 1 August).

Company Directors Andi Lucas and Beth Smith - to the United States and joined with X-Hemp Advisory Board Member (Klara Marosszeky) and





X-Hemp Production Manager (Bell Towns). CFO Meetings (Susan Engquist) in Colorado - and a (brief side-trip to Texas) meeting a manufacturer of a new style of decortication equipment. Now built into the X-Hemp Strategic Growth Plan. Travel funded entirely from the special purpose travel component of the Boosting Female Founders grant scheme.

**AUG:** New Operations Manager Penny Domeney started, with product efficiencies and reviews introduced. Product being shipped to supply UTAS Forestry Building in Hobart.

**OCT:** Grand Designs Australia episode featuring X-Hemp released on ABC iView on 10th October (free-to-air on 31st October). With estimated viewer numbers close to one million, exposure has resulted in a corresponding immediate surge of interest in our products and brand. X-Hemp nominated (Sustainability category) in the Regional Development Australia awards.



## Planned Activities

### SHORT TERM

Action improvements to existing factory site to make site safe, increase throughput and ramp up production. Immediately purchase key equipment needed to convert stored raw materials into immediate sales and further improve production efficiencies.

### MID TERM

- Expand our current production team to allow for extended processing times.
- Deliver final materials to the UTAS Project in Hobart for what will be the largest hempcrete building in Australia.
- Travel to Canada to meet key stakeholders - including InnoTech Alberta and Verve Seeds - to inspect equipment and share knowledge as second and final part to Boosting Female Founders grant requirement.
- Complete the final stages of the fitout of our new site which includes the factory, office and retail space, taking delivery of new manufacturing equipment.
- Plant our fifth seasonal harvest of new hemp varieties with improvements to cutting and baling methods.







### 2.2.3 Overview of Our Key Products

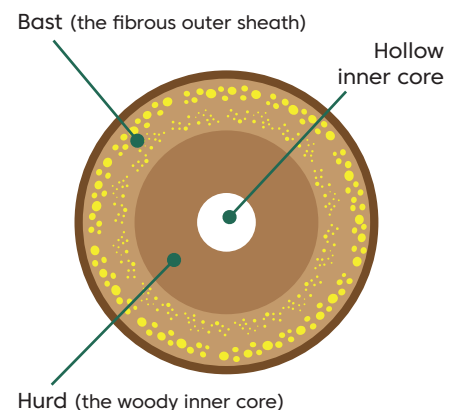
After processing, the stalk of a hemp plant is separated (or decorticated) into four key outputs;

- hurd (the woody inner core);
- bast (the fibrous outer sheath);
- fines (small particulate matter including leaf residue and dirt);
- dust (all the tiny bits of material that remain).

While all four outputs have potential commercial value, during our first two years of operation our sales have primarily been of hurd, as the key ingredient required to make hempcrete.

**Hempcrete** is a bio-composite material made from the woody part of the hemp plant mixed with lime and water. This mix forms a relatively lightweight, strong, insulating, and breathable material used for wall construction. Hempcrete offers excellent thermal and acoustic insulation, dramatically reduces energy consumption (by nearly eliminating the need for heating and cooling) and creates healthy and comfortable indoor environments.

At least 300 hempcrete homes have already been built in Australia and the first house constructed in Tasmania using the material was built in 2011. In the decade before X-Hemp started processing, around ten more residential projects were completed in Tassie. These earlier homes predominantly used hemp grown-and-processed in the Northern Hemisphere.



Since X-Hemp commenced operating in late 2021, we have sent material to more than 35 new residential homes, the huge commercial project commission by UTAS and even before the impact of the Grand Designs Australia episode, we are currently on back-order and unable to meet surging demand.

**Hemp Products** – To bolster its product offering, X-Hemp is continuing to negotiate exclusive rights to manufacture or represent new products in Australia. We will also be developing new products ourselves, with the combined range expected to include:

- **HempWood®\***: a premier wood substitute with the smallest ecological footprint of any lumber alternative, this product is perfect for use as anything that wood can be used for, like construction materials, flooring, and furniture.  
\* Manufactured under license.
- **HempWool®\***: a thermal building material made with natural hemp bast fibres and other biobased ingredients for friction fit, sustainable insulation.  
\* Manufactured under license.
- **Hempcrete Bricks & Wall Panels**: ready-to-use building elements acquired by working with key partners in Australia, USA and Europe.
- **Hemp Weed Mats**: agricultural substrates to replace the environmentally problematic coir-based products used widely in garden centres and by the commercial berry farm industry.
- **Hemp Animal Bedding**: mould resistant and highly absorbent fibre with a strong existing demand in this sector to begin supply immediately.

## What is Hemp?

- Multi-purpose crop **used by humans for over 10,000 years**
- **A source of food** (the seeds), **fibre for textiles and building materials** (the stalk) and **medicine** (the leaves and flowers)
- **Over 1,000 varieties** of cannabis occur naturally. Roughly 90% have no psychoactive effect or drug value and are known as hemp.



### 2.2.4 A Brief History on Hemp

Hemp is the commonly used descriptor for certain varieties of a species of plant known by the botanical name Cannabis (sativa, indica, and ruderalis).

Cannabis originated in Eastern Asia and there are thousands of different varieties that grow in many countries around the world, in both a wild state and as a cultivated crop. Humans have been harvesting and using cannabis for at least 10,000 years, both eating and pressing the seeds for oil, using the leaves and flowers for medicine and recreation, and converting the stalks of the plant for fibre stalks of the plant for fibre to be used in textiles, paper and building materials.

While there are easily more than 125 different identified chemical compounds that we know about within the cannabis plant, the two most referenced are THC and CBD. THC is the compound in cannabis that produces the sensation of being 'high' when the plant is consumed for recreational, spiritual, or medical use. About 90% of all cannabis has zero psychoactive effect, which means it is very low in THC content, has no drug value and is not mind-altering.

Cannabis plants were a popular crop prior to the introduction of cotton and synthetic fibres like nylon in the early 20th century. This popularity was due to the natural diversity of the species, the ability to use the plant for multiple purposes, and the chemical properties. In the mid-1930s, low-THC cannabis, or hemp, was caught up in a political movement to criminalise the use of high-THC





cannabis, commonly known as marijuana. There was no distinction given or discussion around THC-levels, which meant that all varieties of the cannabis plant, including the 90% with no drug value, were effectively made illegal in many Western nations, including Australia in 1937.

The economic consequences of this failure to distinguish the effects of the various varieties of cannabis are being felt to this day. This period of ill-informed prohibition is why one of the oldest industries in the world has now been officially identified by AgriFutures as 'emerging', and why a company like X-Hemp is a start-up instead of a new business in a well-established sector like the wheat industry. It is an exciting time to be at the forefront of developments as the general population are once again being educated about the incredible properties of this multi-purpose plant.

Since the European Union re-introduced legal hemp farming in the 1970s, many other countries like Canada, Australia and the USA have followed suit and are exploring the crops use in many industrial applications. Hemp in Australia has been grown primarily for grain and fibre production, with uses in textiles and medicine dating back to European settlement. There are now many hundreds of licensed hemp growers around the country exploring the crops potential, with Tasmania reporting 89 issued cultivation and research permits in the last annual report published by the State Government, and is considered a key production territory due to its stable climate and access to water.

SOURCE: [nre.tas.gov.au/about-the-department/planning-and-reporting/annual-report](https://nre.tas.gov.au/about-the-department/planning-and-reporting/annual-report)

### 2.2.5 The Problem

The construction sector has seen unprecedented expansion in recent years, with rising population numbers and economic growth increasing rates of urbanisation and industrialisation.

Although infrastructure for economic and social developments have been proven to improve human wellbeing, construction projects globally are responsible for excessive resource depletion and environmental damage.

Studies into resource usage indicate that the global construction sector consumes 30-50% virgin materials and 36% of final energy, is responsible for the release of 37% of energy-associated carbon dioxide emissions and produces 40% total waste.<sup>1, 2, 3</sup>

Australian construction companies alone contribute 18% of greenhouse gas emissions and 38% national waste, leaving a significant environmental footprint. To protect remaining natural resources, reduce environmental damage and enhance inter- and intra-generational social equity, it is imperative that companies seek out environmentally friendly processes and trial more robust and versatile biomaterials over resource-demanding synthetics.

1 Marinova, S.; Deetman, S.; van der Voet, E.; Daioglou, V. Global construction materials database and stock analysis of residential buildings between 1970–2050. *J. Clean. Prod.* 2020, 247, 119146.

2 UNEP. 2021 Global Status Report for Buildings and Construction: Towards a Zero-Emission Efficient and Resilient Buildings and Construction Sector; United Nations Environment Programme: Nairobi, Kenya, 2021.

3 Rakhshan, K.; Morel, J.-C.; Alaka, H.; Charef, R. Components reuse in the building sector—A systematic review. *Waste Manag. Res. J. Sustain. Circ. Econ.* 2020, 38, 347–370.



### 2.2.6 X-Hemp Key Differentiators

Our product is unique for lots of reasons.



There is a clear demand for **carbon-negative building materials** and hemp consistently lands in the top one-or-two sources for plant-based construction products. While things like bamboo are great too, we believe hemp can be made into a wider range of biocomposite products that can quickly substitute more environmentally damaging products that are used commonly in construction e.g. concrete, plasterboard, laminate flooring, and fibreglass insulation batts.



Home owners, commercial and residential builders are looking for products that have the same performance characteristics that hempcrete is known for.

The material:

- is non-combustible,
- is mold and termite resistant
- has excellent acoustic properties
- is natural and healthy with no VOCs
- provides incredible thermal insulation, potentially saving over 70% heating and cooling costs
- the wall material can be composted if soaked in flood waters, with hempcrete able to be repoured around surrounding framework that survives a natural disaster.



Homeowners, architects and designers are demanding non-toxic and carbon neutral materials such as hempcrete. Hempcrete looks, smells and even sounds good due to its incredible acoustic properties, and is energy efficient as it requires little-to-no energy to heat or cool.

Corporates are requiring solutions to manage carbon outputs, which hemp delivers in spades through sequestering carbon during both the plants growth cycle and the building's lifetime.



X-Hemp has a proven model with secure supply of certified planting seed via signed contracts with key suppliers. We hold a strong first mover advantage and can rapidly scale in a way new entrants to market will struggle to replicate.

X-Hemp is embedded in the hemp industry both domestically and internationally, with strong ties to key players, most notably with guaranteed planting seed supply from the two of the biggest genetics companies *EcoFibre* and *Midlands Seed*.

X-Hemp holds all relevant licences for growing low-THC cannabis; has secured supply chains in our region, and established relationships in the states where new facilities are planned over the next few years.

X-hemp is currently the only mill in the state of Tasmania and one of only six mills operating in the country. We are the only facility processing material year-round with a full team of production staff and are proud to be majority female-owned and 100% women-operated.



### 2.2.7 Competitor Landscape

- **Market Map:** Australia
- **X-Hemp has very limited national competition** due to supply chain constraints and freight costs.
- **Tasmania** had a head start to the other states due to earlier legislation and ideal growing conditions.
- Additional advantage of **experienced agronomists, farmers, seed contracting parties** all active here.
- **No other hemp fibre processing competition exists in Tasmania.** X-Hemp is currently the only game in town and the defensive moat around the business here is literal!
- While there is now at least one other small mill operating in WA, SA, VIC, NSW and QLD, **X-Hemp is the only facility operating year-round** with a full team of staff and large stores of raw material.
- Nearly all **new entrants to market are still undertaking their first plantings and harvest** whereas X-Hemp has successfully completed four seasons of supply chain management.
- Competitors delay their entry to market by focusing on creating their own IP for products like timber substitutes and wall insulation. Meanwhile, **X-Hemp has ready-to-execute agreements with registered and certified brands.** We intend to build and capture the market for high quality finished goods before manufacturing those products domestically under license.



Vircura



PROHEMP



## 2.3 Business and Revenue Model

### 2.3.1 Hemp Stalk Commercial Applications

When manufacturing hemp for commercial products, all of the stalk is used.

Using the example of a large bale of hemp straw, we can either take the whole stalk and convert it into saleable items OR process the plants to convert each stalk into four key outputs.

#### WHOLE STALK USE

- **Timber substitutes:** the whole stalk is used for the production of HempWood® which we would ideally like to manufacture under license within 12-18 months from this second round of CSF funding.
- **Hemp mulch:** where the whole stalk is processed, bagged, and sold through local garden centres. This is an extremely high demand product and we are currently on back-order.

Exciting research is coming out on incredible benefits of hemp mulch to soil as evidenced by the strong commercial interest from wineries and orchards. X-Hemp will supply supply these markets wholesale once we have appropriate machinery and volume.

#### FOUR PROCESSED OUTPUTS

##### (i) HURD

Approximately 30% of every bale converts to hurd.

Hurd is the inner part of the industrial hemp plant's stem. The material is currently being sold to residential and commercial builders as a key component to the popular natural building material hempcrete, with demand immediately outstripping our production capabilities.

We are currently on backorder and processing at maximum capacity with existing equipment. This demand was there before the exposure generated from the UTAS Project, and in advance of the upcoming Grand Designs Australia episode going to air in October this year, or any marketing spend promoting the material use.

We still have huge stores of raw material from previous harvests waiting to be processed which gives us a unique competitive advantage as other mills lie dormant waiting for harvested materials to become available.

To fully capitalise on the potential of this market, X-Hemp requires urgent improvements to its current facility to immediately improve throughput rates. While the capital expenditure we started to make in November 2023 did have immediate impacts, we need to recover from the impacts of the three forced shutdowns. The conclusion of our seed capital raise will allow us to commission the new high-capacity processor we intend to bring online in mid-2025 which will increase production rates tenfold.

Hemp hurd is also an incredibly popular animal bedding material for both horses and 'pocket pets' (small critters in cages like hamsters) and we have customers waiting for supply. We will sell direct to retail for these markets from mid-2024, pending the achievement of greater throughput.

##### (ii) BAST

Approximately 30% of every bale converts to bast.

Bast is the tough fibrous outer sheath of the plants stem. The material is currently being sold as a mulch alternative, as a potential substrate material to a local cannabis extracts company and for use as animal bedding. We will continue to sell bast directly to retail and wholesale customers.

Bast can be converted into a range of other products and X-Hemp has a rolling program of new



products incorporating this fibre, including a weed mat designed to replace coir-based products. We currently have a local berry farm keen to address the many ESG concerns surrounding coir weed mats who have indicated they would like to place a purchase order for whatever we can produce in the near term, and are scheduled to launch this new product in late-2023. Our R&D program through 2024 and beyond will also look to incorporate bast fibre into fibreglass products with a focus on boat-building materials.

#### Wall insulation batts:

Bast is used for the production of HempWool® which we plan to manufacture under license within 12-18 months.

#### (iii) FINES

Approximately 30% converts of every bale converts to fines.

Fines is a sawdust-like material comprising of all the small parts of the hemp crop plus some soil and other plant material. The material is currently sold as animal bedding (for example, in calf sheds at a local dairy farm) and can be converted into a range of other products.

The first output is due for launch in late-2024 which will incorporate fines into pellets that will be sold directly to retail as cat litter and wholesale as a soil ameliorant. We have a rolling R&D program through to 2025 that will incorporate fines into a multiple products.

#### (iv) DUST

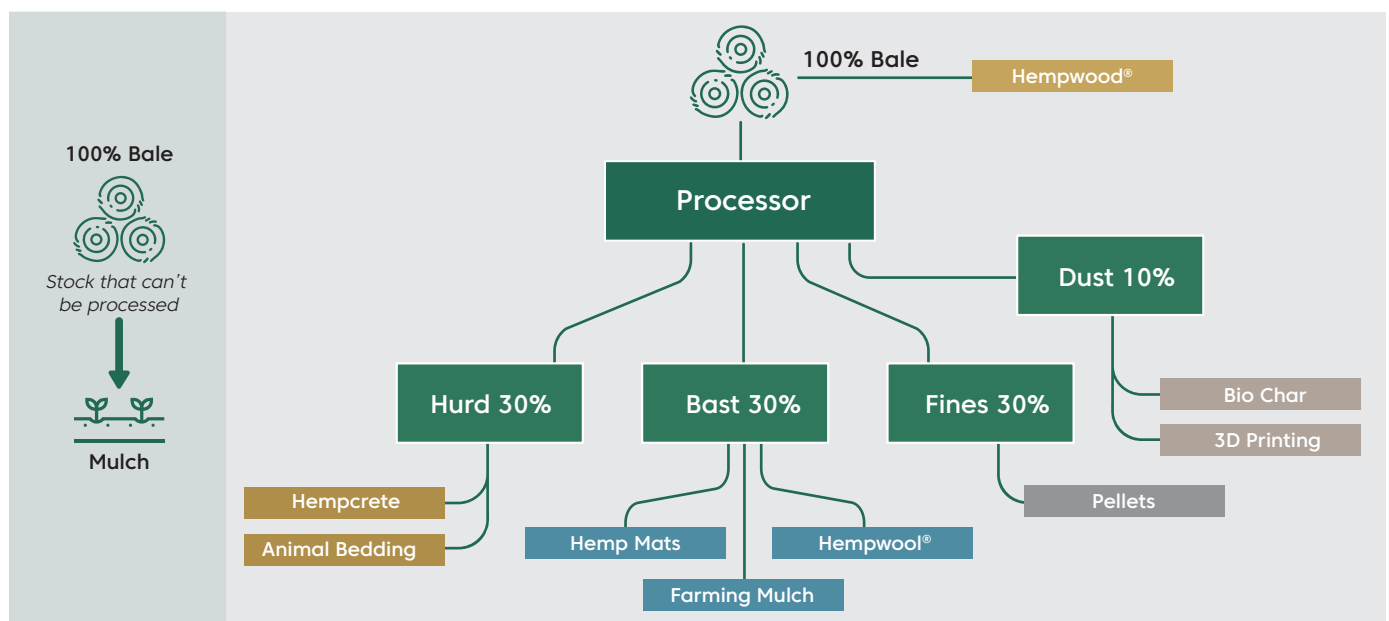
The remaining 10% of every bale converts to dust, which leaves nothing to waste!

Dust is not currently sold as a commercial product and has been stored for future sale. Dust has applications in the production of biochar, plastics, eco-leather additives, biofuels, absorbents, animal bedding, and much more.

As a compound for 3D printing, hemp dust can be used to create a wide array of strong, yet pliable products including eyeglasses, sunglasses, storage containers, phone cases, toys, home decor products and much more.

Hemp dust-derived 3D printed products are non-toxic, biodegradable, recyclable, odor-free, and exceptionally strong.

#### X-HEMP PROCESS





According to a theoretical economic analysis, the highest gross margin (GM) was obtained for hempcrete production (\$7,049/ha) and the second highest was gained from cotton-hemp crop rotation production (\$5,471/ha). There are no significant differences in GM between seed, fibre and dual-purpose (seed and fibre) production. Fibre production GM is \$4,378/ha, and seed production is \$4,455/ha. GM for silage/forage production for livestock is lower compared with other possible hemp products (\$3869/ha)<sup>12</sup>.

### 2.3.2 Hemp Stalk Product Sales and Revenue Opportunities

**PHYSICAL PRODUCT SALES** are predominantly sold direct to retail, wholesalers and some B2B.

**CONTRACTING SERVICES:** putting teams of women out into the field (literally), supporting the activities of local farmers and contracting parties for commodity crops such as canola and peas.

**EDUCATIONAL SERVICES:** X-Hemp is currently hosting four annual hempcrete installation training programs supported by the Australian Hemp Masonry Company (AHMC). We intend to expand on this program to generate revenue and the new factory site has dedicated areas set-up for this purpose.

**DISTRIBUTION SERVICES:** formalising and expanding current arrangements where we source products made by a range of partners around the world and on-sell under various distribution deals. The new factory site will have a retail shopfront selling hemp products of all types.

### 2.3.3 Product Revenue Split

PRODUCT	CURRENT REVENUE %	GEOGRAPHY	FORECAST REVENUE %	FORECAST GEOGRAPHY
Whole Stalk	5%	Tasmania	15%	Australia wide
Hurd	95%	Tasmania	30%	Australia wide
Bast	-		30%	Australia wide
Fines	-		20%	Australia wide
Dust	-		5%	Australia wide

Approximately 95% of our revenue is currently generated from hurd sales for use in hempcrete. While X-Hemp has supplied hurd into NSW as an emergency shipment to a build site that was low on supplies (a local supplier was unable to meet demand), due to overwhelming local demand, our current focus is on supplying Tasmania. We do plan to rapidly expand sales nationally once we have finished products available for sale.

Our revenue sources will evolve as we roll out new products until we eventually match the output percentages 30-30-30-10.

Our Tasmania facility will serve as our headquarters for all R&D activities, production of retail products and development and roll out of our training programs. .

Once the final work on the factory fitout results in our new site being completely established in Tasmania, we plan to roll out a hub-and-spoke model that will see the acquisition of new land and establishment of new crop plantations initially in Queensland and then regionally throughout Australia.



### 2.3.4 Market Size by Application and Key Market Metrics

The global industrial hemp market size was valued at USD\$6.6Bn in 2022 and is projected to grow from USD\$7.9Bn in 2023 to USD \$31.9Bn by 2030, exhibiting a CAGR of 22.11% during the forecast period.

Assuming Australia represents 2% of the global market\*, then our market size could be valued as high as \$132 million per annum, or as low as \$10 million per annum as per a recent analysis by AgriFutures.

Our aim is to achieve at least a 30%-50% market share in key hurd markets such as hempcrete – which will also have the highest gross margin once maximum production efficiencies are attained – and up to 30% market share in other markets.

\* While we have used 2% as a conservative estimate to calculate the percentage of market share, there are many different ways to determine this figure. Note that population-wise Australia is 0.3% but market wise we can be as high at 6% (depending on the market).

#### Fortune Business Insights, Industrial Hemp Market Size, August 2023

#### AgriFutures, New research is set to bolster the Australian industrial hemp industry, August 2023

PRODUCT	PRODUCT OR MARKET APPLICATION	TOTAL MARKET SIZE IN AU \$M – LOW	TOTAL MARKET SIZE IN AU \$M – HIGH	DISTRIBUTION CHANNELS AND SALES METRICS
Whole Stalk	Hemp Mulch	1m	5m	# Retail
	HempWood®	10m	100m	
Hurd	Hempcrete	3m	39.6m	# Retail # Wholesale
	Animal Bedding			# Retail
Bast	Weed Supressing Mats	3m	39.6m	# Retail # Wholesale
	HempWool® – wall insulation batts	146m	734m	# Retail
Fines	Animal Bedding	3m	39.6m	# Retail # Wholesale
	Pellets			
Dust	Consumer goods	1m	12.2m	# Retail # Wholesale

SOURCE: Insulation Services in Australia - Market Size, Industry Analysis, Trends and Forecasts (2023-2028) [www.ibisworld.com](http://www.ibisworld.com)

### 2.3.5 Key Value Drivers for Our Business

As we position X-Hemp to become a market leader in the production of hemp-based building materials and other commercial applications, our strategy is to continue to incorporate ESG values in all that we do.

While remaining true to our ESG statement, we will work to identify and focus on the key drivers that will underpin our value proposition. We believe this approach not only elevates our core values but also provides our investors and stakeholders with a comprehensive picture of our long-term viability and commitment to responsible growth.



## ESG Statement for X-Hemp

### Introduction

At X-Hemp, we are not just committed to creating high-quality hemp-based construction and consumer goods. We are also deeply invested in doing business responsibly and sustainably.

We aim to make a meaningful impact on society and the environment. This ESG statement outlines the core principles that guide our business operations and decision-making processes.

### ENVIRONMENTAL RESPONSIBILITY

#### Sustainable Sourcing

We prioritise responsible sourcing of certified low-THC hemp seeds for planting and collaborate closely with our two key suppliers – EcoFibre and Midlands Seed - who also employ ethical agricultural practices.

#### Energy Efficiency

We intend for our manufacturing facilities to be designed to minimise energy consumption and will be using hemp-based bio-composite building materials wherever possible in their construction. In addition to this, we're exploring renewable energy options to further reduce our carbon footprint.

#### Waste Management

We continually seek to reduce waste through recycling, reusing materials, and optimising our supply chain to minimise our environmental impact.

#### Carbon Footprint

We actively measure and aim to reduce our carbon footprint through various initiatives, including eco-friendly logistics and transportation options wherever possible.

### SOCIAL RESPONSIBILITY

#### Fair Labor Practices

We are committed to providing a safe, inclusive work environment. Our employment practices are designed to be equitable, offering fair wages and adhering to strict non-discrimination policies.

#### Equal Opportunities for Women

We are fully dedicated to gender equality and actively promote women's participation at all levels of our organisation. From leadership roles to entry-level positions, we have created an environment where women have equal opportunities to grow, succeed, and lead.

#### Community Engagement

Beyond our walls, we engage with our local communities by supporting educational and social programs aimed at increasing awareness of sustainable living and building practices.

#### Consumer Well-being

Our products are designed with the health and well-being of consumers in mind. We work hard to ensure the absence of harmful chemicals and toxins in our hempcrete and consumer goods.





## GOVERNANCE

### Transparency

We believe in the transparent reporting of our ESG performance and are committed to sharing this information with our stakeholders regularly.

### Ethics and Compliance

We operate in full compliance with all local, state, and federal laws. Furthermore, we adhere to the highest ethical standards in our dealings with customers, suppliers, and employees.

### Board Oversight

Our board actively oversees the Company's ESG strategies and performance, ensuring alignment with our long-term business objectives and stakeholder interests.

## CONCLUSION

Our ESG commitments are integral to our business model and long-term strategy. We firmly believe that our focus on environmental, social, and governance factors make us not only a better company but also contribute positively to the world at large.

We invite our stakeholders, including investors, customers, and partners, to join us on this journey towards creating a more sustainable and equitable future.

## QUALITY OF RAW MATERIAL:

- **Consistency:** Ensuring a consistent quality of hemp is pivotal for the end-products to meet industry standards.
- **Sustainability:** We commit to exploring options for organically grown hemp to further align with consumer demand for ecoconscious products, offering an additional competitive advantage.

## PRODUCT DEVELOPMENT:

- **Innovation:** Our R&D efforts are geared towards the development of high-performance products to secure a long-term competitive advantage.
- **Versatility:** Our versatile product line, ranging from hempcrete to insulation and consumer goods, opens up multiple market opportunities and the ability to supply across all areas of the supply chain including farming, wholesale and retail.

## SUPPLY CHAIN MANAGEMENT:

- **Vertical Integration:** Our integrated model allows us control from cultivation to product, ensuring cost savings and superior quality control.
- **Logistics:** A well-managed supply chain lowers operational costs and speeds up delivery times, enhancing customer satisfaction. This is somewhat implemented from a sourcing perspective and high on our list on a supply perspective.

## COST STRUCTURE:

- **Economies of Scale:** Scaling up operations will directly lead to a reduction in the unit cost of products.
- **Operational Efficiency:** By streamlining operations, looking after and retaining our people, and working closely with our stakeholders, we expect to become a preferred supplier and improve our profit margins significantly.



**REGULATORY COMPLIANCE:**

- **Certifications:** We aim to meet and exceed all industry certifications, reinforcing our market credibility.
- **Legal Standing:** We are committed to full compliance with local, state, and federal laws governing hemp and building materials.

**MARKETING AND SALES:**

- **Branding:** Our branding will focus on development of strong brand recognition, enabling us to foster repeat customer loyalty.
- **Distribution Channels:** We will utilise both online and direct sales channels to maximise revenue and have identified our key distribution channels for each end market application.
- **B2B Partnerships:** We will continue to forge strategic alliances with construction companies and wholesalers Australia wide to support and maintain a steady sales pipeline.

**MARKET TRENDS:**

- **Sustainability Trends:** We are perfectly positioned to capitalise on the increasing trend towards sustainable building materials.
- **Industry Partnerships:** Strategic collaborations with construction, architectural firms, farmers and the retail market are part of our growth strategy, while supporting a stable demand.

**CUSTOMER FOCUS:**

- **Customer Service:** Our focus on superior customer service is designed to encourage customer loyalty and repeat business.
- **Training:** Our commitment to developing and delivering training modules to the building industry on how to best incorporate hemp materials into construction – such as hempcrete.

**FINANCIAL MANAGEMENT:**

- **Cash Flow Management:** Stringent cash flow management will ensure the business is well-positioned for both operational activities and future growth.
- **Profit Margins:** Maintaining healthy profit margins is a priority for long-term sustainable growth.

**GEOGRAPHIC EXPANSION:**

- **Local Market:** Our immediate focus is to continue completely dominating our local Tasmanian market, where demand has already outstripped our production capability. We will then expand into national markets before considering further opportunities further afield.
- **Global Reach:** Longer-term strategies include potential expansion into global markets to increase sales and brand recognition.

Understanding and strategically implementing these key value drivers will form the core of our business model, ensuring long-term business growth and sustainability.

### 2.3.6 Our Key Sales and Distribution Channels

While our current sales channels have been built upon word-of-mouth recommendations and organic social media engagement, demand for these products is so strong that we are on backorder without any marketing expenditure to date. We can't wait to demonstrate what we will be able to achieve with dedicated support for this aspect of our business.



We received significant brand exposure in October 2024 when X-Hemp was featured on an episode of *Grand Designs Australia*. This high-profile coverage has already resulted in a surge in interest and enquiries and is expected to increase consumer demand for our construction and consumer goods materials made from hemp. X-Hemp has also received substantial press coverage in a nationally syndicated story written by Australian Associated Press, and a feature in Issue 63 of Sanctuary Magazine that was entirely dedicated to innovative hemp-based materials.



To capitalize on this anticipated surge and further expand our reach, we have already appointed a dedicated Admin Manager. Post-raise, a dedicated budget will be allocated for general promotional activities, across all social and digital media platforms, establishing a presence at local and international conferences, all of which will be scaled to align with our increasing production capabilities.

Looking ahead, we are in the process of further developing multiple distribution channels. We have launched an online store and established a retail shopfront to better serve our growing customer base. These strategic initiatives underscore our commitment to growth and becoming a significant player in national and global industrial hemp markets.

[renew.org.au/wp-content/uploads/2023/05/Sanctuary-63\\_flipbook.pdf](https://renew.org.au/wp-content/uploads/2023/05/Sanctuary-63_flipbook.pdf)

[www.aapnews.com.au/news/founder-draws-on-seeds-of-change-with-hemp-construction/xgBGQuPB](https://www.aapnews.com.au/news/founder-draws-on-seeds-of-change-with-hemp-construction/xgBGQuPB)

## 2.3.7 The Main Components of X-Hemp's Business Operations

### IN-HOUSE MANUFACTURING AND PRODUCTION

X-Hemp is vertically integrated in its approach to business, encompassing the growth, processing, and future manufacturing of a wide array of hemp-based construction and consumer goods materials. While our current focus is on hurd production, we are on track to expand our product offerings on an estimated 30-30-30-10% output ratio for hurd, bast, fines and dust.

We already have the ability to produce all four outputs using our current low-capacity processor, and with the additional equipment about to be purchased, we intend to convert all stored materials into finished goods in-house and sell the products to already identified customers.

### THIRD-PARTY COLLABORATIONS AND OUTSOURCING

X-Hemp is currently collaborating with a range of external partners for specialised professional services to support our core operations.

These include accounting services provided by Ruddicks Accounting and CW Bookkeeping; legal advice from Luna (CSF raise) and Rae and Partners (general), and machinery maintenance and repair services (Tasmanian Engineering).

We also engage with various agricultural services such as our agronomists (Ben Lomond Agriculture), our skilled and experienced harvesting contractors (DJC Contracting, Lee Bros); freight specialists (Basset Transport, Cressy Transport, Longford Transport) and our large network of licensed hemp growers (we took supply from 17 farmers in the 2022 harvest and maintain close relationships with this group).

We plan to outsource IT services as part of our future operational strategy so we can focus on our core business.





## INTELLECTUAL PROPERTY STRATEGY

While our ongoing R&D may lead to proprietary information that could be protected, our strategic plan is to rapidly flood the market with branded, quality-tested products manufactured under license with reputable partners who already make certified and registered goods with known brands.






We already have commitments for exploring commercial licenses from HempWood®, Hempitecture® and Tetra Hemp Co, with all of these agreements established on the back of long-term existing relationships. This approach will allow us to quickly establish brand presence and market share, with the potential for IP development to be revisited in the longer term. In the shorter term, X-Hemp will register its own trademarks and potentially its own design registrations.

These core components represent the fundamental aspects of our business operations and strategy, offering both short-term market penetration and long-term sustainability for our business.

### ASSETS:

- Baled Raw Material
- Processor (Ashford Hemp Industries)
- Supplier Agreements (planting seed and manufacturing equipment)
- Stored Processed Outputs (bast, fines, dust awaiting conversion to finished goods)

## SECURED LICENSES OR RIGHTS TO SUPPLY CHAIN MATERIAL, EQUIPMENT ETC

TERMS OF AGREEMENT		EFFECTIVE DATE	SUMMARY OF KEY TERMS
Hempitecture®		Ongoing	Co-develop a non-wovens venture
HempWood®		Ongoing	Distribute then manufacture timber substitutes under license
Midlands Seed		Ongoing	Guaranteed supply of certified low-THC planting seed / agronomic support
EcoFibre		Ongoing	Guaranteed supply of certified low-THC planting seed / agronomic support
Tetra Hemp Co		Ongoing	Supplying new high-capacity processor

## 2.4 X-Hemp Business Strategy

### Our Short-Term Objectives

**Product/Service Expansion:** Our immediate focus lies in scaling our range of construction and consumer goods materials, leveraging our existing capabilities. Our current production focus is on hurd as we have significant raw material stores from previous harvests pending processing and is currently being sold to residential and commercial builders as a key component of hempcrete, and we are currently on back-order. Of all our products, hurd yields the greatest gross margin.

**Research and Development:** We are actively engaged R&D, both in-house and through strategic collaborations with academic institutes like the University of Tasmania and industry partners in wineries, orchards, berry farms, and fiberglass manufacturers, to innovate and enhance our product offerings.

**User Acquisition:** Our growth strategy will focus initially on organic growth, facilitated by upcoming media coverage and key industry partnerships.

**Market Scope:** We are currently laser-focused on the Australian market due to the lightweight nature of our materials and the value we place on minimising the carbon impacts associated with international freight.

This approach will enable us to quickly address our local Tasmanian market, while positioning X-Hemp for scale throughout Australia in the midterm (2-3 years). Establishing sales and our entire production pipeline locally will enable us to establish a solid product and customer foundation, while quickly addressing and responding to any issues – and maintaining a reputation of quality products and services.

### Our Mid-Term Objectives

**Product/Service Expansion:** Beyond hurd, we plan to monetise all four hemp stalk outputs, by either wholesaling to manufacturers or swiftly converting raw materials into market-ready products. Example products include our ability to press bast into weed mats, pelletize the fines and sell as kitty litter and soil enhancers, bag and sell dust for folks making products that need absorbent materials (oil spill kits is one potential channel).

**Research and Development:** Our commitment to R&D is ongoing as these activities will help us to develop new products and maintain a market edge. We are currently exploring: steel rebar replacements, 3D printing, working with seed genetics companies to increase yield, working with harvesting equipment manufacturers to improve take-off rates, expanding our product lines.

**User Acquisition:** Our next-phase strategy involves aggressive marketing to rapidly expand our customer base, while in parallel ensuring we have adequate inventory levels meet demands.

**Market Scope:** Initially we will maintain our focus on Australia, building a solid customer and product base, before considering leveraging from a strong foundation into Australasia.

### Our Long-Term Objectives

**Product/Service Expansion:** Our vision is to evolve all outputs into advanced finished goods, fully produced in-house across a decentralised hub-and-spoke network throughout Australia. This model will support a resilient, circular economy while minimising risk and carbon footprint. We are passionate about developing all aspects of our industry, and also plan to deliver expert industry support to tertiary education facilities who bring in cannabis degrees.



**Research and Development:** Our commitment to R&D will underpin our growth, advancing both product and process outputs and positioning X-Hemp as a market leader in our field.

**User Acquisition:** As we establish a multi-site production network, a refined marketing strategy will be deployed to scale user acquisition nationally.

**Market Scope:** While our initial focus is on establishing a strong business foundation in Australia, our scalable model positions X-Hemp for potential expansion into Australasia and potentially more broadly internationally into the future. Any moves into international markets will be enabled only due to our local focus and our commitment to establish a solid foundation and reputation in Australia first.

### Strategic Priorities

Our short-term objectives are carefully aligned with our long-term vision to become a leading provider of sustainable hemp-based materials. These objectives serve as key milestones toward achieving our broader mission of promoting sustainable construction and consumer goods.

#### USE OF FUNDS

**Marketing:** Minimal budget allocation in the first 12-24 months as we already have a back-order list. Funds will be primarily used for brand recognition and educational campaigns.

**Team Expansion:** upskilling existing team members for roles within production and expanding the workforce in both production and agriculture. An interim CFO has been contracted for an additional two years, and the highly skilled and experienced three-person Advisory Board established in late 2023 have signed on for another year.

**Inventory:** Investment in urgently needed equipment for material conversion and saleable goods production is a top priority and will be implemented immediately post-raise. Planning for our fifth planting season is also well underway, with three growers already under contract, our low-THC certified planting seed supply secured and two new varieties being tested.

**Construction of New Premises:** The process of securing our new factory site was completed in October 2023 and final works – including the replacement of the destroyed roof - should be completed by December 2024.

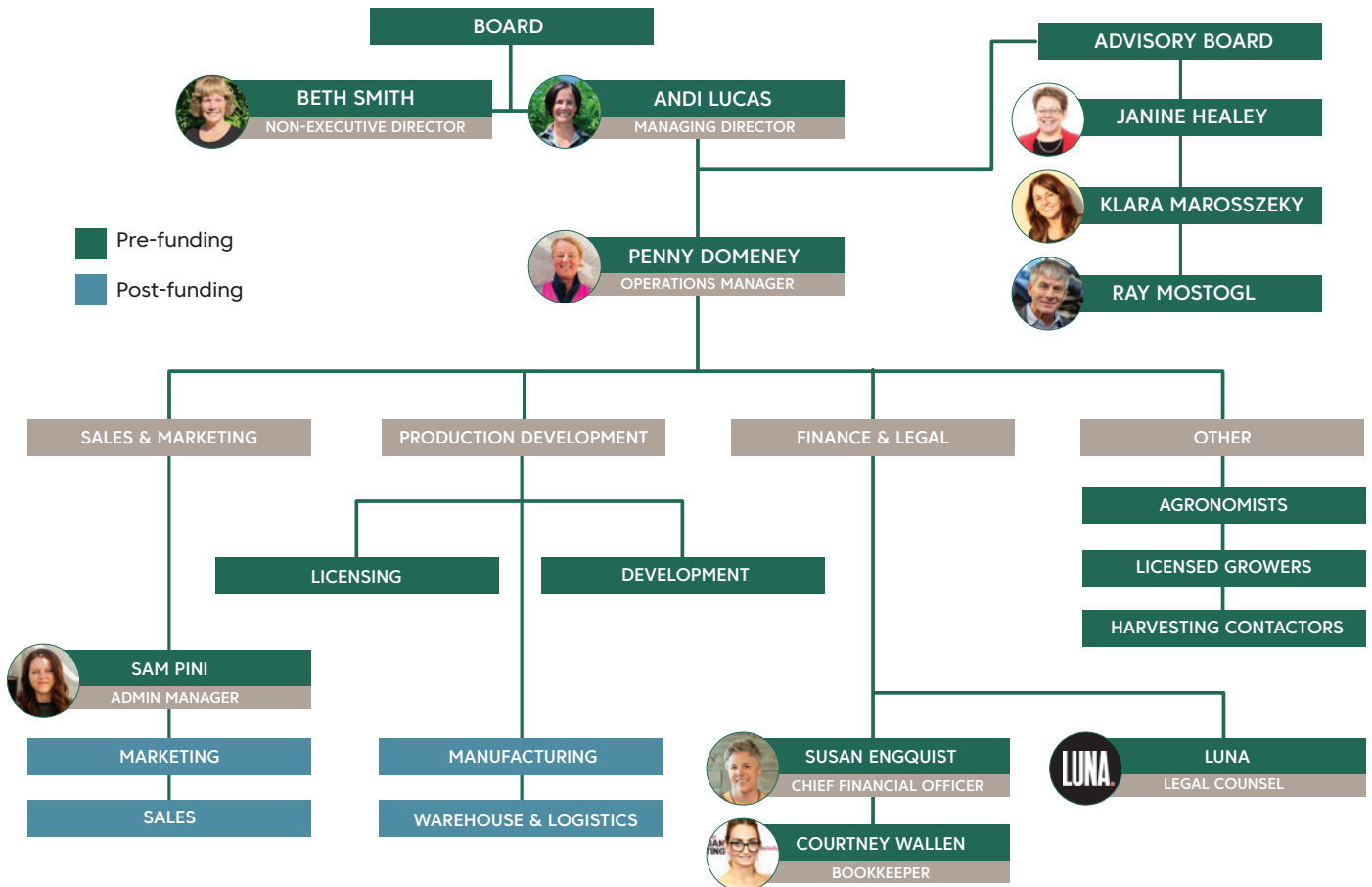
This planned approach aims to provide a balanced and feasible delivery of our company for short-, medium- and long-term sustainable growth.





## 2.5 Our Team and Advisors


### 2.5.1 Organisational Structure




### 2.5.2 Directors and Senior Managers

The Board comprises of the Founder/Director Andi Lucas and Non-Executive Director Beth Smith.

The Company recognises a need to make another Board appointment and an appointment of additional directors will be considered as the company expands its operations. Any new appointments to the board will possess expertise in delivering hemp or natural building materials to local and global markets, in managing global distribution channels and scaling the business.

NAME	ROLE	DESCRIPTION OF DUTIES	SKILLS AND EXPERIENCE
<b>Andrea (Andi) Louise Lucas</b> 	<i>Managing Director and CEO</i>	Creating our company's strategy, building the Company's organisation, and developing the work culture. Currently overseeing day-to-day operations and staff management.	Experienced founder of multiple start-ups. Spearheads strategic direction and oversees the core operational aspects of X-Hemp. With a visionary approach, Andi has been instrumental in the formation and growth of the company. Currently serving as president of the state industry group (Tasmanian Hemp Association); holds a seat on the national body (Australian Hemp Council); involved with AgriFutures. Built Tasmania's first hempcrete homes using locally grown and processed cannabis. Ran a start-up in Colorado, USA which went from a garage-based operation to sale in 2018.

NAME	ROLE	DESCRIPTION OF DUTIES	SKILLS AND EXPERIENCE
<b>Elizabeth (Beth) May Smith</b> 	<i>Non-Executive Director</i>	<p>Overseeing the executive team and acting in the interests of the business's various stakeholders.</p> <p>Providing an independent view on the running of our business, governance, and boardroom best practice.</p> <p>Overseeing, constructively challenging and holding to account management in their implementation of strategy within the Group's system of governance and the risk appetite set by the Board.</p> <p><i>* Beth Smith is Andi's mum</i></p>	<p>Highly experienced Project Manager, CEO, Senior Minister Advisor and Company Director. Expert communicator, HR and recruitment.</p> <p><b>Beth CV:</b></p> <p><b>2021 – present</b> Board Member, <i>Great Regional City Challenge</i></p> <p><b>2016 – 2019</b> Non-Executive Director, <i>GP Training Tasmania</i></p> <p><b>2014 – 2015</b> Program Manager, <i>Tasmanian Health Service</i></p> <p><b>2012 – 2013</b> Senior Health Advisor to <i>Minister for Health</i></p> <p><b>2011 – 2012</b> CEO <i>Cornerstone Youth Services 'HeadSpace'</i></p> <p><b>2005 – 2011</b> Director of Nursing, <i>Georgetown Hospital</i></p> <p><b>2003 – 2005</b> Area Manager, <i>Tasmanian Oral Health Services</i></p>

### 2.5.3 Our Team and Our Advisors

The success of X-Hemp lies in the strength and diversity of our team, comprising experienced professionals across disciplines relevant to our industry and business. As we prepare to scale our operations and diversify our product offerings, our focus is on establishing and training a team who can grow with our business goals.

#### OUR CONSULTANTS AND ADVISORS



**CFO – Susan Engquist:** Susan is a highly accomplished financial executive based in Colorado, USA who has known, worked with and invested in Andi Lucas' projects for over twelve years.

Susan has built an extensive track record of delivering the key leadership, insights, and strategies to take both operations and finances to new levels of performance or businesses of all sizes. As a change agent who focuses on implementing the latest technologies to position companies as disruptive forces within highly competitive sectors, Susan also recognises that as important as technology is, people are still the make or break factor for businesses.

Susan will assist in bolstering a vibrant work culture that promotes accountability, engagement, and collaboration as key components for achieving success, driving continuous improvement to reach shared business objectives, and maximizing profitability.



**CHAIR – Janine Healey:** Janine has over twenty years of experience as a strategic, focused and well connected Professional Adviser, Chartered Accountant and Board Director.

Janine has successfully executed senior management roles, as well as directorship roles, including Director, President and Chair, on numerous Not For Profit (NFP) and Government Boards, community organisations, advisory boards and professional bodies. In previous governance roles she has demonstrated her analytical and decision-making capacity relating to the strategic direction of organisations operating in domestic and international markets.

Janine has very strong professional capabilities in financial management and analysis, business diversification and growth.



Janine was recently awarded the Tasmanian Gold Medal Award for excellence in governance by the Australian Institute of Company Directors.



**ADVISOR – Klara Marosszeky:** Klara has been driving development of the Australian hemp building sector since 2000 when she commenced research at UNSW to develop hempcrete construction materials for the domestic market.

The Australian Hemp Masonry Pty Ltd (AHM) was founded in 2014 and the company has supplied Australian manufactured and grown hemp lime construction materials to around 300 hempcrete construction projects across Australia, as well as to a small number of residential projects in New Zealand. Major projects include Australia's first commercial hemp build (the Innovation Centre at the Cape Byron Steiner School in NSW); three commercial hempcrete buildings constructed as a part of Mildura Council's recently launched Powerhouse Project in Victoria, and now what will be the largest hempcrete building project in Australia in Hobart, Tasmania.

AHM provides expert consultancy, online and hands-on training as well as supplying certified hemp walling materials, subfloor and roofing insulation materials and lime render products. In her capacity as a Corporate Member at the Tasmanian Hemp Association, Klara proposed the concept on which the X-Hemp business model was based, and has been a mentor and friend to Andi Lucas since 2020.

**ADVISOR – Ray Mostogl:** Ray has over forty years' experience in the resource processing sector in Australia and New Zealand.



Working across engineering, operations and business improvement roles, and culminating as a General Manager at Bell Bay Aluminium in a significant turnaround that averted the closure of the smelter and the loss of 500 jobs.

Ray recently led the start up of a new enterprise that is dedicated to strengthening Tasmania's future with skilled people in rewarding employment, and is CEO and a Director for a number of organisations in the resources and research sector. Ray currently serves on the board of HILT (Heavy Industry Low-carbon Transition) and is the CEO of the Tasmanian Minerals, Manufacturing and Energy Council.

In 2014, Ray was awarded CEO Magazine's Manufacturing Executive of the Year Award.

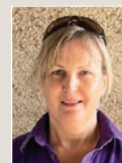
### OUR CURRENT PRODUCTION STAFF



**Bell Towns**  
*Factory Manager*



**Sarah Jenkins**  
*Production Worker*



**Amanda Cowley**  
*Production Worker*



**Louise Pears**  
*Production Worker*



**Tina Pitchford**  
*Production Worker*



## PLANNED TEAM ADDITIONS

As part of our growth strategy over the next 1-5 years, we will be making strategic hires (both as employees and consultants) to support our objectives in scaling production, expanding market reach, and ensuring compliance and quality. Here are some key roles we plan to introduce:

**Sales Manager:** This role will be responsible for building and leading our sales team to drive revenue growth. They will develop sales strategies, set targets, and work closely with marketing to expand market share.

**Manufacturing 2nd in Charge:** This role will be critical in overseeing the day-to-day operations of manufacturing facilities to ensure optimal productivity and efficiency. They will work closely with the COO, Factory Manager and the rest of the leadership team to implement best practices in manufacturing processes.

**Quality and Regulatory Manager:** Responsible for ensuring all products meet the quality and safety standards set by regulatory bodies. This person will work to certify that all practices, production cycles and products are compliant with industry and government regulations.

**Supply Chain Analyst:** As we scale, a role focused on optimizing the supply chain will become crucial. They will monitor the entire lifecycle of our products, from raw material sourcing to production to distribution, and suggest improvements.

**Research and Development (R&D) Specialists:** To work closely with our existing advisors and academic partners in developing new hemp-based materials and technologies.

By adding these roles, we aim to assemble a comprehensive team capable of executing our ambitious business plan, navigating challenges, and capitalising on opportunities in the rapidly evolving hemp industry.

## NEW BOARD SEATS (1-3)

**Board Member with Legal Expertise:** To provide legal guidance particularly as it pertains to hemp regulations and intellectual property.

**Board Member with Industry Experience:** To offer insights and connections in the hemp and construction materials sectors.

**Board Member with Financial Background:** To oversee the company's financial strategy and risk management at board level.

## 2.6 Capital Structure

### 2.6.1 Issued Capital (before and after the Offer)

As at the date of this Offer Document, the Company has 4,830,027 total shares.

The Company also has the authority (as set out in the Constitution) to issue up to 10% of the Company's share capital under a future Employee Share Option Plan.

Table 1 below sets out the issued capital of the Company before the Offer.

**TABLE 1: ISSUED CAPITAL OF THE COMPANY PRIOR TO THE OFFER (ON A FULLY DILUTED BASIS)**

SHAREHOLDER	SHARE TYPE	NUMBER OF SHARES
Andrea Louise Lucas	Ordinary	4,000,000
Other Shareholder	Ordinary	274,311
CSF Shareholder (October 2003)	Ordinary	555,716
<b>Total</b>		<b>4,830,027</b>





Table 2 sets out the issued capital of the Company following the Offer on a fully diluted basis (i.e. presuming all options and convertible securities are exercised).

**TABLE 2: ISSUED CAPITAL OF THE COMPANY FOLLOWING THE OFFER (ON A FULLY DILUTED BASIS)**

SHARES	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Existing Ordinary Shares	4,274,311 (78.64%)	4,274,311 (71.17%)
CSF Shareholders (October 2023)	555,716 (10.22%)	555,716 (9.25%)
ESOP Shares (Unallocated)	494,114 (9.09%)	545,966 (9.09%)
Offer Shares	111,111 (2.04%)	629,629 (10.48%)
<b>Total Shares</b>	<b>5,435,252 (100.00%)</b>	<b>6,005,622 (100.00%)</b>

## 2.6.2 Rights and Liabilities Associated with Securities

As at the date of this Offer, the only class of shares on issue are ordinary shares.

The Company has the authority (as set out in the Constitution) to issue up to 10% of the Company's share capital under a future Employee Share Option Plan.

Set out below is a summary of the rights and liabilities associated with the securities in the Company.

A copy of the Company's Constitution is available on the Intermediary's platform.

### ORDINARY SHARES

The rights and liabilities associated with the ordinary shares are set out in the Company's constitution, including:

- All ordinary shares have the voting rights as set out in the Constitution. All ordinary shares have the right to receive dividends.
- Restrictions on the sale or transfer of shares, including drag and tag rights and exit provisions.
- The Board has the power to refuse a transfer of shares to a third party
- The Constitution includes a definition of a "Significant Shareholder" which means a shareholder who is not otherwise defined as a CSF shareholder.
- The Significant Shareholder concept relates to:
  - Shareholder reserved matters regime i.e provisions requiring a "Significant Shareholder Majority" which is a resolution approved by 75% or more of the votes cast on a resolution by the Significant Shareholders, which must also include the affirmative vote of the Founder, and as set out in Schedule 3, Part A
  - Pre-emptive rights for Substantial Shareholders who hold 5% or more of shares in certain circumstances on the issue or transfer of shares.

The shares offered under this Offer are ordinary shares. A more detailed description of the rights and liabilities associated with the ordinary shares is set out in Section 3.3 below.

### EMPLOYEE SHARE OPTION PLAN (ESOP)

The Company may implement an employee share option plan (ESOP) to attract, retain and incentivise key employees.

Under the Constitution, the Company has the authority to issue up to 10% of the Company's share capital under an ESOP. As at the date of this CSF Offer Document, the Company has not adopted an ESOP.



## SHAREHOLDERS AGREEMENT

Other than the Constitution, there is no shareholders agreement or other agreement between the existing shareholders of the Company.

## 2.6.3 Sources of Financing, Including Debt Financing and Other Financing

To date, the business has been funded through a combination of equity, operating income and loans (founder, private lenders and the Tasmanian Government's Department of State Growth).

### EQUITY

To date, the company has raised approximately \$1.5 million using CSF. See section 2.6.1 for more information.

### FOUNDER LOAN

To date, the founding shareholder has loaned funds of \$43,471 in total to the Company.

The key terms of these loans are set out below. **The founder loans will NOT be repaid with the funds raised under the Offer.**

- Amount outstanding – \$43,471
- Interest – Interest-free
- Repayment date – At the discretion of the Company
- Security – None

Establishment date: multiple loans between July 2020 and August 2023

### DEBT FUNDING

As at the date of this Offer, the Company has the following outstanding loans:

#### Department of State Growth (Tasmanian Government)

- Description – Working capital facility
- Principal amount borrowed – \$100,000
- Amount outstanding – \$58,977
- Interest – 8.72% variable
- Repayment date – 28th April 2025
- Security – Founder Guarantee

Establishment date: 28th April 2022

#### Private Lender 1

- Description – Working capital facility
- Principal amount borrowed – \$350,000
- Amount outstanding – \$368,974
- Interest – 10% fixed
- Repayment date – 30th June 2025
- Security – Founder Guarantee

Establishment date: 20th April 2024

#### Private Lender 2

- Description – Working capital facility



- Principal amount borrowed – \$30,000
- Amount outstanding – \$30,254
- Interest – 15% fixed
- Repayment date – 20th December 2024
- Security – Founder Guarantee

Establishment date: 19th September 2024

### CONVERTIBLE NOTES

The Company has no current Convertible Notes.

### GRANT FUNDING

At this stage, the Company has been awarded \$480,000 via a Federal Government grant and having met all required milestones, has received \$328,000 of that allocation with final payments due before EOFY 2025.

## 2.7 Key Risks Facing the Business

An investment in the Company should be seen as high-risk and speculative. A description of the main risks that may impact the Company's business is below. Investors should read this section carefully before deciding to apply for shares under the Offer. There are also other, more general risks associated with the Company (for example, risks relating to general economic conditions or the inability to quickly or easily sell your shares).

### COMPETITION

Emergence of competing products that reduce market share.

### RAW MATERIALS

Ability to consistently source/secure supply of raw materials and stabilise supply costs.

### FUNDING

Ability to secure funding required for product development and company operations.

### PEOPLE

Ability to retain key staff.

### ENVIRONMENTAL

The impacts of climate change causing more frequent and extreme weather events present a risk to our business as well as to all living things on earth.



## 2.8 Financial Information

Below are the financial statements of the Company for the financial years ended 30 June 2024 and 30 June 2023, which have been prepared in accordance with the Accounting Standards.

Financial information for the four months ended 31 October 2024 have also been included. The information has been prepared on a consistent basis based on management accounts, and accordingly may be subject to change.

### 2.8.1 Statement of Financial Position

#### Statement of Financial Position

X-Hemp Pty Ltd

As at 31 October 2024, 30 June 2024 and 30 June 2023

	31 Oct 2024	30 Jun 2024	30 Jun 2023
<b>ASSETS</b>			
Cash and Cash Equivalents	52,050	203,062	6,170
Trade and Other Receivables	50,742	57,072	125,719
Inventories	707,456	689,597	157,203
Prepayments	6,000	7,500	28,770
<b>Current Assets</b>	<b>816,248</b>	<b>957,231</b>	<b>317,862</b>
Property, Plant & Equipment, at WDV	364,437	380,719	1,378
Right of Use	144,597	144,597	-
Borrowing Costs			1,378
Intangible Assets	258,823	258,823	-
<b>Non-Current Assets</b>	<b>767,857</b>	<b>784,139</b>	<b>2,756</b>
<b>Total Assets</b>	<b>1,584,105</b>	<b>1,741,370</b>	<b>320,618</b>
<b>LIABILITIES</b>			
Trade and Other Payables	208,861	341,699	275,550
Unspent Grant Funds	72,000	-	-
Prepaid Revenue	63,611	42,933	126,800
Provision for Employee Entitlements	14,261	14,261	-
Current Lease Liability	18,000	18,000	-
Loans and Borrowings (Current Portion)	381,576	381,576	612,472
<b>Current Liabilities</b>	<b>758,309</b>	<b>798,469</b>	<b>1,014,822</b>
Loans and Borrowings	76,629	42,297	68,725
Loans from Directors	43,471	43,471	11,002
Long Term Lease Liability	127,919	127,919	-
<b>Non-Current Liabilities</b>	<b>248,019</b>	<b>213,687</b>	<b>79,727</b>
<b>Total Liabilities</b>	<b>1,006,328</b>	<b>1,012,156</b>	<b>1,094,549</b>
<b>Net Assets</b>	<b>577,777</b>	<b>729,214</b>	<b>(773,931)</b>
<b>EQUITY</b>			
Share Capital	1,819,610	1,862,810	1,000
Retained Earnings	(1,241,833)	(1,133,596)	(774,931)
<b>Total Equity</b>	<b>577,777</b>	<b>729,214</b>	<b>(773,931)</b>





## 2.8.2 Statement of Profit or Loss

### Statement of Profit or Loss

X-Hemp Pty Ltd

For the 4 months ended 31 Oct 2024

And the financial years ended 30 June 2024 and 30 June 2023

	2024 YTD Oct	2024	2023
Revenue	37,855	249,848	148,697
Cost of Sales	98,912	395,693	502,699
<b>Gross Profit (Loss)</b>	<b>(61,057)</b>	<b>(145,845)</b>	<b>(354,001)</b>
Other Income	8,774	35,537	17,495
Boosting Female Founders - Grant	64,000	192,000	0
<b>Expenses</b>			
Selling and Marketing Expenses	(2,442)	(11,715)	(7,250)
Administrative Expenses	(102,933)	(385,081)	(80,744)
Interest Expense	(14,578)	(43,563)	(43,412)
<b>Total Expenses</b>	<b>(119,953)</b>	<b>(440,359)</b>	<b>(131,406)</b>
<b>Loss for the year after tax and before comprehensive income</b>	<b>(108,236)</b>	<b>(358,666)</b>	<b>(467,912)</b>
<b>Total comprehensive loss for the year</b>	<b>(108,236)</b>	<b>(358,666)</b>	<b>(467,912)</b>

NB: some accounts were properly reclassified to Cost of Goods Sold in Prior Years



X-HEMP PTY LTD

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## 2.8.3 Statement of Cash Flows

### Statement of Cash Flows

X-Hemp Pty Ltd

For the 4 months ended 31 Oct 2024

And the financial years ended 30 June 2024 and 30 June 2023

	2024 YTD Oct	2024	2023
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	68,457	252,917	156,159
Payments to suppliers and employees	(181,267)	(906,243)	(811,436)
Cash receipts from other operating activities	(18,880)	23,860	23,698
<b>Net Cash Flows from Operating Activities</b>	<b>(131,690)</b>	<b>(629,465)</b>	<b>(631,579)</b>
<b>Investing Activities</b>			
Proceeds from sale of property, plant and equipment	0	7,454	0
Payment for property, plant and equipment	(9,091)	(376,883)	(1,378)
Other cash items from investing activities	(207,998)	(669,523)	128,876
<b>Net Cash Flows from Investing Activities</b>	<b>(217,089)</b>	<b>(1,038,953)</b>	<b>127,498</b>
<b>Financing Activities</b>			
Cash receipts from crowd sourced funding	0	1,861,810	0
Cash receipts from grants	73,600	211,200	0
Other cash items from financing activities	124,168	(207,700)	499,148
<b>Net Cash Flows from Financing Activities</b>	<b>197,768</b>	<b>1,865,310</b>	<b>499,148</b>
<b>Net Cash Flows</b>	<b>(151,011)</b>	<b>196,892</b>	<b>(4,933)</b>
<b>Cash and Cash Equivalents</b>			
Cash and cash equivalents at beginning of period	203,062	6,170	11,103
Net change in cash for period	(151,011)	196,892	(4,933)
Cash and cash equivalents at end of period	52,050	203,062	6,170



## 2.8.4 Statement of Changes in Equity

### Statement of Changes in Equity

X-Hemp Pty Ltd

For the 4 months ended 31 Oct 2024

And the financial years ended 30 June 2024 and 30 June 2023

<b>30th June 2023</b>			
	Share Capital	Retained Earnings	Total Equity
Balance at 1st of July 2022	1,000	(307,019)	(306,019)
Total comprehensive loss for the year		(467,911)	(467,911)
Closing Balance at 30 June 2023	1,000	(774,931)	(773,931)
<b>30th June 2024</b>			
	Share Capital	Retained Earnings	Total Equity
Balance at 1 July 2023	1,000	(774,931)	(773,931)
Issued Capital	2,018,885		2,018,885
Share Issue Costs 2023	(157,075)		(157,075)
Rounding			-
Total comprehensive loss for the year		(358,665)	(358,665)
Closing Balance at 30 June 2024	1,862,810	(1,133,596)	729,214
<b>1st July 2024</b>			
	Share Capital	Retained Earnings	Total Equity
Balance at 1 July 2024	1,862,810	(1,133,596)	729,214
Share Issue Costs 2024	(43,200)		(43,200)
Total comprehensive loss for the year		(108,237)	(108,237)
Closing Balance at 31 October 2024	1,819,610	(1,241,833)	577,777



## 2.8.5 Management Comments on Historical Performance and Outlook

*Comments on revenue outlook are inherently uncertain and should not be solely relied upon as they are subject to change, uncertainty, and unexpected events, many of which cannot be controlled. Accordingly, actual results are likely to differ from the forecasts. No representation or assurance is or can be given that the forecasts will be achieved. Past performance is no guarantee of future performance. This revenue outlook has been prepared by the Company and has not been validated by an independent third party.*

### X-HEMP HAS FOCUSED ON SECURING SUPPLY CHAINS & BUILDING MARKETS THE PAST THREE YEARS

While well past the proof-of-concept phase, with four seasons experience in planting, harvesting and processing hemp, and many residential and commercial customers supplied, when considering these financial statements, our business should be viewed as a pre-revenue early-stage company.

The reports paint a picture of a scrappy start-up that has spent several tough years getting set-up in a capital-intensive industry\*. Our first years of trading were spent ironing out the kinks in all stages of our processes, getting our team in place so we can rapidly and sustainably scale, all while surviving some very bad luck with extreme weather events causing loss of crops and severe damage to our new facility.

Even with these significant constraints and challenges, we managed to generate trading income by selling processed hemp. High interest in our products have ensured cash flow from customer deposits coming through as prepaid revenue (these 50% deposit amounts are shown as liabilities until we deliver). While we have run a loss as expected, the critical factor as we move towards profitability is that thus far, **we have only sold one of the four processed hemp outputs that we produce.**

When we process hemp, we expect at least 30% to convert to building-grade hurd. Strong local demand for this output means we have been able to set a premium retail price, and these sales represent nearly all revenue generated. While supplying construction markets with hurd, we carefully bag and store the other three outputs - the bast, fines and dust are reflected on our current balance sheet as inventories - and have taken time to build markets for finished goods made from these products.

That time-consuming groundwork is now complete. We are ready to convert these processed outputs to finished goods and make sales in 2025. The conversion of the stored outputs - which equate to around 70% of raw materials harvested - hemp will be achieved with **minimal impact to our fixed operating costs**, and we have customer waiting to buy the products we're about to make.

The challenges we have overcome will be the same for any new players in our space, and those barriers to entry - especially for those operating without our knowledge, networks, and hard-won experience - mean that X-Hemp now finds itself in a very favourable competitive landscape.

I now have a highly skilled and experienced second Company Director, Advisory Board, CFO, Operations Manager and Admin Manager to mitigate our key person dependency issue and to ensure expert counsel through this new and exciting stage of growth. Other than needing a couple more casual production workers to cover our extended shift lengths to meet surging demand for products, we are ready to go.

My team is ready for the surge that will come as a direct result of this raise and are already riding the wave of a rapidly growing profile of both this industry and our brand. We know exactly what needs to be invested and where over the months ahead so we can meet our goals. Beyond the instantaneous relief to current cashflow and operational pressures, being able to quickly realise already identified sales opportunities and **leverage this capital through a series of matched funding grant opportunities** that we are eligible to apply for, we have a clear plan to accelerate revenue generating activities to provide sustainable cash flow funding.

As with all early-stage start-ups, the true value of X-Hemp lies in its future potential. We are so excited to welcome our second cohort of impact investment shareholders to complete our seed capital round and springboard us to the next stage.

**Andi Lucas**

Founder | Managing Director

\* any small differences between values in this section and the Statement of Financial position balance sheet reflect payments that have been made



X-HEMP PTY LTD

Crowd-Sourced Funding Offer NOVEMBER 2024



## Section 3: Information About the Offer

### 3.1 Terms of the Offer

The Company is offering up to 629,630 shares at an issue price of \$2.70 per share to raise up to \$1,700,000. The key terms and conditions of the Offer are set out below.

TERM	DETAILS
Shares	Fully-paid ordinary shares
Price	\$2.70 per share
Minimum Subscription	\$300,000
Maximum Subscription	\$1,700,000
Opening date	13 November 2024
Closing date	28 November 2024

A description of the rights associated with the shares is set out in Section 3.3.

To participate in the Offer, you must submit a completed application form together with the application money via the Intermediary's platform. The Intermediary's website provides instructions on how to apply for shares under the Offer at [www.birchal.com](http://www.birchal.com).

The Intermediary must close the Offer early in certain circumstances. For example, if the Maximum Subscription is reached, the Offer must be closed. If the Minimum Subscription is not reached or the Offer is closed but not completed, you will be refunded your application money.

Retail investors may withdraw their application during the Cooling-off Period. Further information on investor cooling-off rights can be found in Section 4 of this CSF offer document.

The Offer is not underwritten and there is no guarantee that these funds will be raised.



## 3.2 Use of Funds

The table below sets out the intended use of funds raised under this Offer based on the minimum and maximum subscription amounts.

INTENDED USE	MINIMUM SUBSCRIPTION AMOUNT	MAXIMUM SUBSCRIPTION AMOUNT
<b>Capital Expenditure (CapEx)</b> Our long-term assets: buildings, equipment, machinery, and vehicles	\$40,000	\$665,300
<b>Operating Expenditure (OpEx)</b> Our day-to-day expenses: employee salaries, overhead expenses	\$198,300	\$440,000
<b>Debt Consolidation</b>	\$35,000	\$463,000
<b>Directors Remuneration</b>	\$0	\$0
<b>Offer costs</b>	\$26,700	\$131,700
<b>Total</b>	<b>\$300,000</b>	<b>\$1,700,000</b>

The Offer costs includes the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are up to 7.5% of all funds raised by the Company through Birchall Financial Services Pty Ltd (Intermediary), plus \$4,200 + GST for administration, setup costs and advertising.

Other than as specified above, no other payments from the funds raised will be paid (directly or indirectly) to related parties, controlling shareholders, or any other persons involved in promoting or marketing the Offer.

We expect that the Maximum Subscription amount will be sufficient to meet the Company's short-term objectives over the next 12-18 months.

If this CSF Offer is unsuccessful, or if only the Minimum Subscription amount is raised, the Company will require further funding to be able to carry out our intended activities over the next 12-18 months. In such circumstances, the Company may consider alternative sources of funding, such as undertaking a further CSF offer under the CSF regime or other debt or equity funding. Until additional funding is obtained, we will scale back CapEx and continue to focus our cash resources on revenue generation with existing equipment.

## 3.3 Rights Associated with the Shares

Immediately after issue, the shares under this Offer will be fully-paid ordinary shares. There will be no liability on the part of Shareholders and the shares will rank equally with the shares currently on issue.

The rights associated with the shares are set out in the Company's Constitution. These rights are described below and any capitalised terms used in this section are as defined in the Constitution. A copy of the Constitution is available on the Intermediary's platform.

### 3.3.1 Voting Rights

Each Shareholder has one vote on a show of hands and, on a poll, one vote for each fully paid share held.



### 3.3.2 Dividends

All Shareholders have a right to receive any dividends declared and paid by the Company. The Directors have sole discretion to determine that a dividend is or will be payable and may resolve to pay dividends, subject to their obligations under the Corporations Act (for example, they cannot pay dividends unless the Company's assets are sufficiently in excess of its liabilities immediately before the dividend is declared and where it may materially prejudice the Company's ability to pay its creditors).

### 3.3.3 General Meetings and Notices

Directors have the power to call general meetings of all Shareholders or meetings of only those Shareholders who hold a particular class of shares.

Shareholders may call and arrange to hold a general meeting only in accordance with the Corporations Act.

### 3.3.4 Election and Removal of Directors

Shareholders may vote to elect and remove directors at a general meeting by way of special resolution.

### 3.3.5 Winding-up

If the Company is wound up and there are any assets left over after all the Company's debts, liabilities and costs have been paid, the surplus is distributed to Shareholders after secured and unsecured creditors of the Company. The amount distributed to Shareholders will be in proportion to the number of shares held by them.

### 3.3.6 Restrictions on Sale and Transfer

The Constitution contains drag and tag-along rights, as follows:

- **Drag rights** – If Shareholders who together hold equal to or greater than 60% of the shares on issue propose to sell all of their shares to a third party, they can 'drag' the remaining 40% (or less, as applicable) to sell their shares on the same terms. The pre-emptive rights process does not need to be undertaken in order for the drag along to be triggered.
- **Tag rights** – If Shareholders who together hold 50 or more of the shares on issue propose to sell their shares to a third party under one transaction (or series of transactions) the remaining 50% may also 'tag'-along and sell their shares on the same terms.

#### EXIT PROVISIONS:

The Board may give notice to shareholders of its intention to approve or undertake an Exit Event including an IPO, Share Sale, Asset Sale or another transaction which results in a Change of Control, or which the Board determines is an Exit Event.

If the Exit Event is an Asset Sale of the Company or any relevant Subsidiary, unless the Directors resolve otherwise, the Significant Shareholders must approve the Asset Sale by way of a Significant Shareholder Majority Resolution (75%).

If the Exit Event is a change of control, share sale or IPO, the shareholders and the Company must procure that the proceeds of such Exit Event will be distributed to holders of equity securities in their respective proportions.



If the Company becomes insolvent, the Shareholders must pass a Special Resolution (75%, and must include, while the Founder is a Shareholder, the affirmative vote of the Founder) or any other resolution(s) to facilitate the distribution of assets in accordance with the Constitution.

In relation to any Exit Event, all Shareholders (and Directors) must exercise all rights and do all things to enable the Exit Event to occur.

#### **PRE-EMPTIVE RIGHTS ON TRANSFER:**

If a shareholder provides a notice to the Company to transfer its shares (other than as a permitted disposal), the Company must first offer each other Significant Shareholder the right to purchase those shares in direct proportion to their shareholding in the Company, in accordance with the Constitution.

#### **DISCRETION TO REFUSE TO REGISTER A TRANSFER OF SHARES:**

The Board must approve a transfer of shares to a third party by Simple Majority (50%, and must include while the Founder holds office as a Director, the affirmative vote of the Founder).

#### **ON-SALE RESTRICTIONS UNDER THE CORPORATIONS ACT:**

Shares acquired under the Offer may not be on-sold within 12 months of their issue without a prospectus or other disclosure document, unless an exemption under section 708 of the Corporations Act 2001 (Cth) applies (e.g. sales to sophisticated or professional investors) or unless ASIC gives relief from the requirement to provide such prospectus or other disclosure document.

### **3.3.7 Pre-emptive Rights / Anti-dilution on Issue of Shares**

If the Board resolves to issue new Equity Securities (which includes shares, options, warrants, convertible notes or any other instrument convertible into shares) of a particular class, it must first offer the new Equity Securities to each Significant Shareholder who holds 5% or more of the total issued shares in that class unless one of the following exceptions apply:

- The Significant Shareholders approve by Significant Shareholder Majority Resolution to issue Equity Securities in a manner other than in accordance with the Constitution;
- The issue of Equity Securities is a public offer of securities;
  - The Board resolves to issue up to 10% in aggregate of the issued share capital of the Company, provided such issue is not exercised more than once in any 12 month period;
  - An issue of Equity Securities on conversion or exercise of any Equity Securities;
  - The Equity Securities are issued pursuant to the terms of an agreement, option or warrant or other security convertible into or exercisable in exchange for Equity Securities that existed before the date of the Constitution or were entered into in accordance with the Constitution;
- The Equity Securities are issued as part of an Exit Event;
  - the Equity Securities are issued as part of an arm's length commercial agreement, provided that such issue in any 12 month period are in aggregate no more than 5% of the issued share capital in the Company;
  - the Equity Securities are issued as part of the consideration for the acquisition by a Group Company of an interest in any business, entity or company approved by the Board by Special Resolution;
  - an issue of Equity Securities where the proceeds of the issue are used to fund a buy-back, cancellation, purchase or redemption of any Equity Securities by the Company envisaged



under this Constitution, any Approved ESOP or terms of issue or other applicable Constitutional document for a class of Equity Securities; or

- an issue of Equity Securities under any Approved ESOP.

### 3.3.8 Amendments to the Constitution

To vary the Constitution or adopt a new constitution, the Company must pass a Special Resolution of the Shareholders at a general meeting. At least 75% of the voting members of the Company must vote in favour of the resolution for it to pass, and it must include, while the Founder is a Shareholder, the affirmative vote of the Founder.

## 3.4 What Can I Do with My Shares?

Shares in the Company are considered illiquid as they cannot easily be transferred or sold.

However, there are numerous possible circumstances that may create an opportunity for shareholders to exit their investment in the Company. These include:

- A trade purchase of the Company
- A listing on a registered stock exchange (eg the ASX)
- A private equity investment in the Company
- A share buy-back by the Company

There is no guarantee that any of the exit options will eventuate.

## 3.5 Details of Previous CSF Offers

On 26 September 2023 the Company made a CSF Offer on the Intermediary's platform.

Under that CSF Offer, the Company offered up to 1,111,110 ordinary shares at a \$2.70 share price. The CSF Offer was successfully completed with 555,716 ordinary shares sold and \$1,500,433 raised.

On 14 March 2024 the Company made a private CSF Offer on the Intermediary's Platform that was unsuccessful.

At the time of both CSF Offers, the directors of the Company were Andi Lucas and Beth Smith.





## Section 4: Information About Investor Rights

### 4.1 Cooling-off Rights

If you are a retail investor, you have the right to withdraw your application under this Offer and to be repaid your application money. If you wish to withdraw your application for any reason (including if you change your mind about investing in the Company), you must do so within five business days of making your application (Cooling-off Period).

You must withdraw your application via the Intermediary's platform. You will be able to withdraw your application within the Cooling-off Period by following the link and the instructions within your portfolio on the Intermediary's platform.

After your withdrawal has been processed, the Intermediary will refund the application money to your nominated account as soon as practicable.

### 4.2 Communication Facility for the Offer

You can ask questions about the Offer on the communication facility available on the Intermediary's platform. You can also use the communication facility to communicate with other investors, with the Company and with the Intermediary about this Offer.

You will be able to post comments and questions about the Offer and see the posts of other investors on the communication facility. The Company and/or the Intermediary will also be able to respond to questions and comments posted by investors.

Officers, employees or agents of the Company, and related parties or associates of the Company or the Intermediary, may participate in the facility and must clearly disclose their relationship to the Company and/or Intermediary when making posts on the facility.

Any comments made in good faith on the communication facility are not subject to the advertising restrictions in the Corporations Act.

### 4.3 Proprietary Company Corporate Governance Obligations

#### 4.3.1 Annual Report

Following the successful completion of the first Birchall capital raise in 2023, the Company is now required to prepare and lodge annual financial reports and directors' reports with ASIC (within four months of the financial year end).

The Company has a 30 June year end and its financial reports are due to be lodged by 31 October each year. As of the date of this Offer Document, the General Purpose Financial Statements have



been completed and were filed on 11 November 2024. The Company has incurred a small fee for missing the original filing deadline, and will be presenting the General Purpose Financial Statements to all current shareholders in the Annual General Meeting scheduled on 19 November 2024.

Our financial reports are currently not required to be audited as we are a small proprietary company. This means that the Company's financial reports will not be subject to auditor oversight and, therefore, there will be no independent assurance of the Company's financial statements. However, the directors are still required to ensure that the financial statements give a true and fair view of the Company's financial position and performance and that the financial statements comply with the accounting standards.

We may be required to have our financial reports audited in the future if we raise more than \$3 million from CSF offers (including this current offer and any future offers) or otherwise become a large proprietary company.

### 4.3.2 Distribution of Annual Report

While the Company is not required to notify shareholders in writing of the options to receive or access the annual report and shareholders will not be able to elect to receive a copy of the annual report by way of email or post, the Company will make this information readily available. Shareholders will be able to access the annual report on the Company's website at the following address – [www.xhemp.au](http://www.xhemp.au) – free of charge, or can purchase the report from ASIC.

### 4.3.3 Related Party Transactions

The rules on related party transactions in Chapter 2E of the Corporations Act will apply to the Company (for so long as we continue to have CSF shareholders). This means that the Company is required to obtain shareholder approval before giving financial benefits to related parties of the company (e.g. directors and their spouses, children or parents), subject to certain exceptions (such as reasonable remuneration provided to directors).

### 4.3.4 Takeovers

The takeover rules in the Corporations Act will only apply to the Company in a very limited way. If someone wants to buy more than 20% of the voting shares in the Company, they will be able to do so without complying with the takeover rules. This means a person may be able to get control of the Company without making a formal takeover bid to all shareholders or without seeking shareholder approval.

Shareholders will not have the benefit of the full protections under the takeover rules, which means you may not have the right to vote on or participate in a change of control of the company. However, the general principles of ensuring shareholders have sufficient information and time to consider a change of control, and all have a reasonable and equal opportunity to participate in any benefits, will apply to the Company. In addition, the Takeovers Panel has jurisdiction to hear disputes relating to control of the Company.

## 4.4 Company Updates

The Company will provide regular updates to investors on the Company's website at the following address [www.xhemp.au](http://www.xhemp.au), via the Company's share registry website at the following address [www.cakeequity.com](http://www.cakeequity.com) and via the Intermediary's platform.





## Glossary

<b>Company means</b>	X-Hemp Pty Ltd ACN 644 320 187.
<b>Cooling-off Period</b>	means the period ending five business days after an application is made under this Offer, during which a retail investor has a right to withdraw their application and be repaid their application money.
<b>CSF</b>	means crowd-sourced funding under Part 6D.3A of the Corporations Act.
<b>Intermediary</b>	means Birchall Financial Services Pty Ltd ACN 621 812 646 AFSL 502618
<b>Maximum Subscription</b>	means the amount specified in this CSF offer document as the maximum amount sought to be raised by the Offer. The Maximum Subscription is subject to rounding based on the share price of the Offer.
<b>Minimum Subscription</b>	means the amount specified in this CSF offer document as the minimum amount sought to be raised by the Offer. The Minimum Subscription is subject to rounding based on the share price of the Offer.
<b>Offer</b>	means an offer of fully-paid ordinary shares by the Company under this CSF offer document.
<b>Retail investor</b>	has the meaning given to the term “retail client” under the Corporations Act.





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