

ASX ANNOUNCEMENT

ASX: EOF

20 July 2020

Ecofibre Limited

FY20 guidance and 4Q20 Appendix 4C Report

HIGHLIGHTS

- FY20 NPAT approximately \$12.5m (unaudited) – up over 100% on FY19
- FY20 Revenue of \$50.7m (unaudited) – up over 40% on FY19
- Difficult 4Q20 trading conditions - revenue c.\$7.5m (down c.47% on prior quarter). Includes \$2.4m in Hemp Black PPE sales (unaudited)
- US Headquarters in Kentucky completed and fully operational
- Strong balance sheet to support working capital for growth across all business lines

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, OTC-NASDAQ Intl Designation: EOFBF) is pleased to provide its Appendix 4C Quarterly Report for the three months ended 30 June 2020 (4Q20) and an update on the Company's trading performance, including FY20 guidance.

FY20 Guidance (unaudited)

Company CEO Eric Wang said "I am pleased to report that we expect our FY20 NPAT to be around \$12.5m, up more than 100% on our FY19 result. The result is underpinned by full year revenue in excess of \$50m and a business model that focuses on profitable growth in sales and EPS."

"Ecofibre delivered a strong annual result that includes a very challenging final quarter which saw significant upheaval and uncertainty across multiple aspects of our supply chain and customers. The Company has made several adjustments to address the new US economic environment to ensure profitable sales growth continues into FY21. As an example, our Hemp Black business has been able to take advantage of the demand for PPE and these sales have begun to offset the temporary slowdown in Ananda Health income. Our Ananda Food business continues to experience steady sales growth. Other income also included funds from the US Paycheck Protection Program and foreign currency gains"





4Q20 Trading Update

Unaudited revenue for 4Q20 was \$7.5m, down from \$14.2m in the prior quarter as a result of difficult trading conditions in the US CBD market. A series of events that will likely reshape business and consumer behaviours in the future impacted revenues with our larger distributors and independent pharmacies alike.

Ananda Health

Our Ananda Health business remains the #1 supplier to retail pharmacies in the US by a wide margin, with over 50% market share nationally¹.

Led by Ananda Health CEO, David Neu, the business continues its strategy of a distributor-led model for the pharmacy and practitioner channels. Our view remains that the hemp-derived CBD industry must align to the existing US health care wholesale distribution model. As an early mover Ananda Health will continue to gain access to more pharmacies and practitioners over time, which in the Company's view is the preferred channel for long-term patients utilising CBD for health and beauty.

Over the last six months the business has established strong order processing and logistics capabilities to support this model, including straight through processing of retail and wholesale orders and supporting inventory management systems. The relocation and commissioning of its operations at the new Georgetown facility was completed in May.



Ecofibre US Headquarters, Kentucky USA (June 2020)





In the short term, market oversupply, dislocation of numerous US CBD businesses, the onset of COVID-19 and ultimately the recent civil unrest in the United States combined to make trading conditions difficult in the fourth quarter.

David Neu said, "Distributors delayed the appointment of new suppliers and purchasing decisions this quarter, and independent pharmacies have been targeted by suppliers offering cheap, lower quality product."

"Our focus has been to continue supporting our distributors, independent pharmacies and patients through a difficult period. We believe the bottom of the US CBD market will soon be reached, if it hasn't already and we are extremely well positioned to deliver significant growth from our new US Headquarters with our enhanced systems and capabilities already in place."

Hemp Black

The Company continues to invest in addressing market demand for PPE and in particular on the consumer segment that seeks high-quality, reusable PPE that utilises our Hemp Black technology. Hemp Black launched its facemask, and more recently the neck gaiter, during the last two months of FY20. Hemp Black's total capacity for May / June 2020 of c.135,000 masks was sold resulting in revenues of \$2.4m in FY20.

Eric Wang stated, "Working closely with our manufacturing partner TexInnovate, we are focused on supplying a target segment of the market that we expect will exist over the medium term. Our 3D knitted technology, combined with the anti-odor and anti-microbial properties of our Hemp Black Element and copper yarns, provide a value proposition very different to disposable non-woven and cloth masks." (see attachments for description of Hemp Black face masks and Hemp Black Flex Gaiter)

"Our manufacturing capacity for masks will double this quarter from its current rate of 65,000/month. Additionally, given the increased requirements for mask usage we will begin distribution of our masks in Australia this week."

Ananda Food

Ananda Food's newly formulated protein powder will be used by The Alternative Meat Co., Life Health Food's plant-based meat alternative, in an upgraded range of their existing products. The range includes alternatives for mince, sausage and burgers and is 100% Australian made. The Alternative Meat Co. products can currently be found in Coles stores across Australia. The expected launch of the new range incorporating Ananda Food's hemp protein will be this August.





Additionally, Ananda Food's hemp seed oil will be stocked in Woolworths stores beginning this August as well. This new product line will be under the Woolworths Macro brand and will complement the existing Macro Hemp Seeds and Protein Powder already found across all Woolworths.

Appendix 4C Cash Flow Discussion

As at 30 June 2020 the Company's cash position was \$18.3m.

- Cashflows from **operating** activities in the quarter totaled +\$1.0m, including:
 - Receipts from customers of \$7.3m, broadly in line with revenue for the quarter (\$7.5m);
 - Product manufacturing and operating costs include payments to Tasmanian growers by the Ananda Food business for the 2019/20 hemp seed crop (\$1.2m); and
 - \$1.7m received under the US Paycheck Protection Program (PPP).
 - In accordance with Listing Rule 4.7C.3, and as noted in Item 6 of the Appendix 4C Cashflow Statement, payments to related parties and their associates totalled \$124,000 during the quarter for directors' salaries and fees.
- Cashflows for **investing** activities in the quarter (\$8.6m) relate to construction of our US Headquarters and associated fit out.
- Cashflows from **financing** activities (\$9.8m) relate to a term loan funded during the quarter (\$10.0m).

In accordance with Listing Rule 4.7C.2, the Company has attached a comparison of actual expenditure against the estimated expenditure on the individual items in the "Use of Proceeds" statement in the Company's Prospectus since the date of its admission to the official list.





Investor Relations and Media please contact:

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About Ecofibre

Ecofibre is a provider of hemp products in the United States and Australia.

In the United States, the Company produces nutraceutical products for human and pet consumption, as well as topical creams and salves. See www.anandahemp.com and www.anandaprofessional.com.

In Australia, the Company produces 100% Australian grown and processed hemp food products including protein powders, de-hulled hemp seed and hemp oil. See www.anandafood.com.

The Company is also developing innovative hemp-based products in textiles and composite materials in partnership with TexInnovate in the United States. See www.hempblack.com.

The Company owns or controls key parts of the value chain in each business, from breeding, growing and production to sales and marketing. Our value proposition to customers is built on strong brands and quality products.

Authorisation

This document is authorised to be given to the Australian Securities Exchange (ASX) by the Board of the Company.





ECOFIBRE

ASX ANNOUNCEMENT

For personal use only



AVAILABLE IN SML, MED, LRG



3D knit multilayer reusable fusion / FACE MASK

features antimicrobial Cupron copper technology

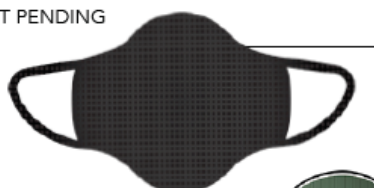
HEMP BLACK™ / element infused adaptive fibers harness the power of odor neutralizing hemp
strategically engineered for protection through multilayer 3D knitting

reusable and machine washable for 25 cycles

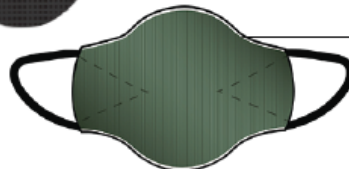
seamless fit for comfort

designed, engineered and 100% made in the USA

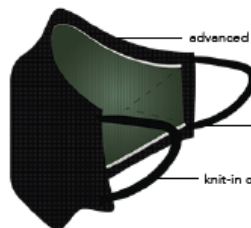
PATENT PENDING



exterior layer features
antimicrobial Cupron
copper technology



inner layer constructed with
HEMP BLACK™ / element
odor neutralizing technology



advanced 3D engineered knit performance

seamless stitch shaping techniques for contour fit

knit-in comfort stretch straps

hemblack.com

NOT INTENDED FOR CLINICAL USE
COMMERCIAL PRE-WASHED

PRODUCT CARE:

machine wash cold, gentle cycle, tumble dry low
no bleach, chlorine, or fabric softeners
product lifecycle is 25 launderings

CONTENT:

mask exterior: Cupron Copper Polyester
mask interior: HEMP BLACK™ / element
mask straps: Nylon/Spandex

(contents: 57% Cupron Copper Polyester, 33% HEMP BLACK™ / element, 8% nylon, 2% spandex)

DISCLAIMER: FDA recognizes that, when alternatives, such as FDA-cleared face masks are unavailable, individuals, including healthcare professionals, might improvise Personal Protective Equipment. Our face masks are made with hemp flower extract and copper technology. Caution should be used as the capacity for protection is unknown.





ECOFIBRE

ASX ANNOUNCEMENT

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ONE SIZE



3D knit multipurpose neck wrap + face cover fusion / FLEX GAITER

features antimicrobial Cupron copper technology

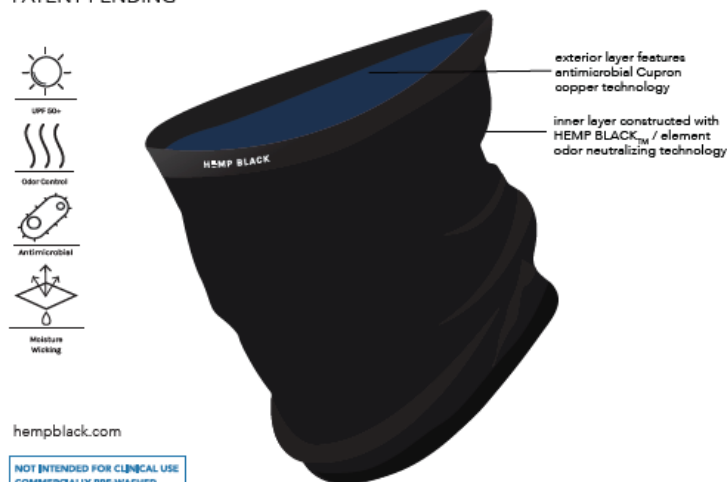
HEMP BLACK™ / element infused adaptive fibers harness the power of odor neutralizing hemp
strategically engineered for performance through multipurpose 3D knitting

seamless fit for comfort

reusable and machine washable

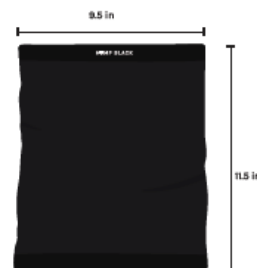
designed, engineered and 100% made in the USA

PATENT PENDING



hemblack.com

NOT INTENDED FOR CLINICAL USE
COMMERCIALY PREWASHED



Due to the nature of the knitting process,
measurements may vary slightly.

PRODUCT CARE:

machine wash cold, gentle cycle, tumble dry low
no bleach, chlorine, or fabric softeners

CONTENT:

mask exterior: Cupron Copper Nylon
mask interior: HEMP BLACK™ / element Nylon

(contents: 44% Cupron Copper Nylon, 26% nylon, 20% HEMP BLACK™ / element Nylon, 10% spandex)

DISCLAIMER: FDA recognizes that, when alternatives, such as FDA-cleared face masks are unavailable, individuals, including healthcare professionals, might improvise Personal Protective Equipment. Our face masks are made with hemp flower extract and copper technology. Caution should be used as the capacity for protection is unknown.



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Ecofibre Limited

ABN

27 140 245 263

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	7,277	42,954
1.2	Payments for		
	(a) research and development	(346)	(1,650)
	(b) product manufacturing and operating costs	(3,491)	(14,347)
	<i>Grower payments, Ananda Health</i>	(393)	(2,430)
	<i>Grower payments, Ananda Food</i>	(1,192)	(2,285)
	<i>Production costs</i>	(1,906)	(9,632)
	(c) advertising and marketing	(627)	(2,732)
	(d) leased assets	(57)	(263)
	(e) staff costs	(2,549)	(11,234)
	(f) administration and corporate costs	(795)	(4,242)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	47	274
1.5	Interest and other costs of finance paid	(46)	(189)
1.6	Income taxes paid	(48)	(4,004)
1.7	Government grants and tax incentives	1,679	1,691
1.8	Other (provide details if material)	-	(449)
1.9	Net cash from / (used in) operating activities	1,044	5,809
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(8,641)	(22,605)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	8	203
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	34	(126)
2.6	Net cash from / (used in) investing activities	(8,599)	(22,528)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	10,000	10,000
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (payment for principal portion of lease liabilities)	(175)	(598)
3.10	Net cash from / (used in) financing activities	9,825	9,402

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,851	25,740
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,044	5,809

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,599)	(22,528)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,825	9,402
4.5	Effect of movement in exchange rates on cash held	(869)	(171)
4.6	Cash and cash equivalents at end of period	18,252	18,252

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,117	2,797
5.2	Call deposits	2,912	3,540
5.3	Bank overdrafts	-	-
5.4	Other (term deposits and credit card clearing accounts)	11,223	10,514
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	18,252	16,851

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	124
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Item 6.1: Directors' salaries and fees, excludes GST where applicable.</p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	10,000	10,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	10,000	10,000
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<ul style="list-style-type: none"> Lender: James & Cordelia Thiele Trust Fund Principal amount: AUD 10.0m Repayment date: 15 July 2021 Two options to extend: at EOF's option, and on the giving of three month's notice, the repayment date may be extended twice for periods of 6 months each Partial repayment: on each date that the repayment is extended EOF may elect to repay the loan in whole multiples of AUD1.0m Interest rate: 8.0% p.a Lender costs payable: nil Security / collateral: nil Financial covenants: nil 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,044
8.2	Cash and cash equivalents at quarter end (item 4.6)	18,252
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	18,252
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

20 July 2020

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

APPENDIX

Use of Funds Raised under the Offer ¹		April 2019 - June 2020		
Categories	Total ²	Planned Spend	Actual Spend	Comments
Accelerate the establishment and commercialisation of Hemp Black				
<ul style="list-style-type: none"> product development, sales and marketing, customer samples and other commercialisation expenses 	2,083,000	2,083,000	2,083,000	All funds allocated for Hemp Black commercialisation have now been disbursed as operating and capital expenditure.
<ul style="list-style-type: none"> fund the design, construction and commissioning of new premises in Georgetown Kentucky 	7,792,000	7,792,000	8,954,000	All funds allocated to the Georgetown premises in the Prospectus have been spent - remaining costs funded from operating and other cashflows.
Provide additional working capital to accelerate the growth of Ananda Food	\$4,000,000	\$4,000,000	\$2,923,000	Net increase in the investment in inventories (including biological assets), trade receivables and current liabilities for Ananda Food.
Provide additional general working capital	\$5,000,000	\$5,000,000	\$5,000,000	Includes net increase in investment in inventories (including biological assets), trade receivables and current liabilities, particularly Ananda Health.
Costs of the offer	\$1,125,000	\$1,125,000	\$1,040,000	Actual transaction costs lower than initial estimate, as previously disclosed in the Appendix 4C statement for 4Q19.
Total	\$20,000,000	\$20,000,000	\$20,000,000	

¹ Refer page 88 of the Company's Prospectus dated 22 February 2019

² Based on Maximum Subscription amount of \$20.0m