For personal use only

1. Company details

Name of entity:	Ecofibre Limited
ACN:	140 245 263
Half year ended (current period):	31 December 2020
Half year ended (previous period):	31 December 2019

2. Results for announcement to the market

	31 Dec 2020 $'000	31 Dec 2019 $'000	Variance
Revenues from ordinary activities	14,673	29,029	-49%
(Loss)/ Profit from ordinary activities after tax attributable to the owners of Ecofibre Limited	(5,546)	7,078	-178%
(Loss)/ Profit for the half-year attributable to the owners of Ecofibre Limited	(5,546)	7,078	-178%
Basic loss per share (cents)	(1.73)		
Diluted loss per share (cents)	(1.73)		

Dividends
There were no dividends paid, recommended or declared during the reporting period.

3. Net tangible assets

	31 Dec 2020 Cents	30 Jun 2020 Cents
Net tangible assets per ordinary security	17.19	19.24

For personal use only

4. Audit qualification or review

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2020. This report is based on the consolidated financial statements for the half-year ended 31 December 2020 which have been reviewed by William Buck (Qld).

ECOFIBRE

HALF-YEAR FINANCIAL STATEMENTS 2021



For personal use only

Table of Contents

Director's Report	1 - 3
Auditor's Independence Declaration	4
Directors' Declaration	5
Consolidated Statement of Profit or Loss	6
Consolidated Statement of Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Financial Statements	11 - 20
Independent Auditor's Review Report	21 - 22

For personal use only

Director's Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Ecofibre Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of Ecofibre Limited during the whole of the half-year (unless otherwise indicated) and up to the date of this report:

Barry Lambert
Jon Meadmore
Eric Wang
Kristi Woolrych (appointed on 20 October 2020)

Principal activities

The principal continuing activities of the Group during the half-year were breeding, growing, manufacturing and distributing hemp products.

Significant changes in the state of affairs

On 21 August 2020, the Group completed the acquisition of TexInnovate, a portfolio of five businesses with deep technical expertise and capability across a broad range of high-performance textile disciplines. Total consideration for the acquisition was USD48.7m.

Total potential consideration for the businesses and operating assets is USD42.0m:

- at completion Ecofibre settled 50% of the business acquisition (USD21.0m), comprising USD10.5m cash and the issue of 5,924,926 shares at a value of USD10.5m; and
- contingent consideration with a value up to USD21.0m is also payable subject to the acquired businesses delivering USD6.0m earnings before interest and tax (EBIT) for two consecutive annual periods within five years of completion. The earliest that any such consideration may become due is in 3 equal tranches of USD7.0m on the 3rd, 4th and 5th anniversaries after completion, payable in equal proportions of cash and shares.

Consideration for real estate assets used by the businesses totalled USD6.7m, as determined by independent market appraisal. Acquisition of the real estate assets was settled in cash at the completion date.

To fund the upfront cash component of the acquisition, Ecofibre conducted a placement under its Listing Rule 7.1 capacity to existing institutional shareholders to raise $29.5m at an issue price of $2.50 per share. The placement was completed and 11,800,000 new shares issued on 4 August 2020.

There were no other significant changes in the state of affairs of the consolidated entity during the half-year.

For personal use only

Review of operations and results

The loss from ordinary activities for the Group for the half-year after providing for income tax amounted to $5.5m (31 December 2019 half-year: $7.1m profit).

The net assets of the Group are $113.6m, including cash and cash equivalents totalling $13.5m, as at 31 December 2020.

Ananda Health has consolidated most of its operations at the group's new US headquarters and operating facility in Georgetown, Kentucky, and continues to focus its sales and marketing efforts on US retail pharmacies and their distributors.

Hemp Black completed a key part of its supply chain with the acquisition of TexInnovate (now Hemp Black North Carolina, "HBNC") and is focussed on leveraging its technology and manufacturing capability to service new and existing clients. The business launched a range of athleisure-wear in November 2020 to build brand awareness and demonstrate the functional and sustainable properties of its technologies.

Ananda Food increased its distribution footprint during the period, adding Coles supplier 'Soul Seeds' as a major customer, and increasing the range of hemp products it supplies for the Woolworths Macro range.

The COVID-19 pandemic has continued to impact the sale and distribution of products by Ananda Health in the United States. This was partially offset by the sale of face masks and neck gaiters by Hemp Black, particularly during the first quarter.

No dividend was declared or paid during the half-year (31 December 2019 half-year: Nil).

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financials/ Directors' Report) Instrument 2016/191, the amounts in this report are rounded to the nearest thousand dollars unless otherwise indicated.

For personal use only

Auditor's independence declaration

The auditor's independence declaration has been received and can be found on page 4 of the half-year report.

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

On behalf of the directors



Barry Lambert
Director

11 February 2021
Sydney, Australia



Eric Wang
Director

11 February 2021
Kentucky, USA

For personal use only

For personal use only

The Directors
Ecofibre Limited
PO Box 108
Virginia BC QLD 4014

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Ecofibre Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ecofibre Limited and the entities it controlled during the period

William Buck

William Buck (Qld)
ABN 21 559 713 106

Junaide Latif
Director

Brisbane: 11 February 2021

ACCOUNTANTS & ADVISORS
Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
williambuck.com

William Buck is an association of firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide.
Liability limited by a scheme approved under Professional Standards Legislation.
(WB017_2007)

PRAXITY™ Empowering Business Globally

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Barry Lambert
Director

11 February 2021
Sydney, Australia

For personal use only

Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue		14,673	29,029
Direct costs	4(a)	(5,177)	(5,566)
Gross profit		9,496	23,463
Other (expense) / income	3	(18)	250
Other operating expenses	4(b)	(16,471)	(15,089)
Interest expense		(578)	(76)
(Loss) / profit before income tax		(7,571)	8,548
Income tax credit / (expense)		2,025	(1,470)
(Loss) / profit after income tax attributable to the members of the company		(5,546)	7,078
(Loss) / earnings per share:			
Basic (loss) / earnings per share - cents		(1.73)	2.41
Diluted (loss) / earnings per share - cents		(1.73)	2.36

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes

For personal use only

Consolidated Statement of Other Comprehensive Income

For the half-year ended 31 December 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
(Loss) / Profit after income tax attributable to the members of the company		(5,546)	7,078
Other comprehensive income for the half-year:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign controlled entities		(3,537)	(216)
Total comprehensive income for the half-year attributable to the members of the company		(9,083)	6,862

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

For personal use only

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020 $'000	30 Jun 2020 $'000
CURRENT ASSETS			
Cash and cash equivalents		13,495	18,252
Trade and other receivables		5,203	9,442
Inventories		16,089	10,014
Biological assets		495	2,321
Tax recoverable		510	-
Other current assets		2,230	5,434
TOTAL CURRENT ASSETS		38,022	45,463
NON-CURRENT ASSETS			
Intangible assets	5	52,390	659
Right-of-use assets		1,041	1,047
Property, plant and equipment		47,939	34,634
Deferred tax assets		4,412	2,492
TOTAL NON-CURRENT ASSETS		105,782	38,832
TOTAL ASSETS		143,804	84,295
CURRENT LIABILITIES			
Trade and other payables		7,178	9,381
Lease liabilities		524	491
Tax payable		-	829
TOTAL CURRENT LIABILITIES		7,702	10,701
NON-CURRENT LIABILITIES			
Lease liabilities		572	593
Related party loans	6	10,000	10,000
Contingent consideration	10	11,952	-
TOTAL NON-CURRENT LIABILITIES		22,524	10,593
TOTAL LIABILITIES		30,226	21,294
NET ASSETS		113,578	63,001
EQUITY			
Issued capital	7	106,596	62,376
Foreign currency translation reserve		(3,712)	(175)
Accumulated losses		(9,894)	(4,348)
Share capital reserve	10	14,300	-
Share-based payment reserve		6,288	5,148
TOTAL EQUITY		113,578	63,001

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

For personal use only

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Note	Issued capital $'000	Share-based payment reserve $'000	Share capital reserve $'000	Foreign currency translation reserve $'000	Accumulated gains/ (losses) $'000	Total $'000
Balance 30 June 2020		62,376	5,148	-	(175)	(4,348)	63,001
Total comprehensive income for the year		-	-	-	(3,537)	(5,546)	(9,083)
Shares issued	7	44,092	-	-	-	-	44,092
Share-based payments	7	452	1,140	-	-	-	1,592
Contingent consideration to TexInnovate	10	-	-	14,300	-	-	14,300
Share issue cost	7	(324)	-	-	-	-	(324)
Balance 31 December 2020		106,596	6,288	14,300	(3,712)	(9,894)	113,578

	Note	Issued capital $'000	Share-based payment reserve $'000	Convertible loan reserve $'000	Foreign currency translation reserve $'000	Accumulated gains/ (losses) $'000	Total $'000
Balance 30 June 2019		56,189	3,229	139	250	(17,504)	42,303
Total comprehensive income for the year		-	-	-	(216)	7,078	6,862
Shares issued		249	-	-	-	-	249
Share-based payments		221	1,579	-	-	-	1,800
Convertible loan conversion to shares		1,433	-	(139)	-	-	1,294
Balance 31 December 2019		58,092	4,808	-	34	(10,426)	52,508

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

For personal use only

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities			
Receipts from customers		17,821	24,820
Government grants		621	12
Payments to suppliers and employees		(22,199)	(19,004)
Interest received		16	142
Interest paid		(438)	(121)
Income tax paid		(1,379)	(1,234)
Net cash flows (used in) / generated from operating activities		(5,558)	4,615
Cash flows from investing activities			
Payments for property, plant and equipment		(4,268)	(7,014)
Payments for business acquisition	10	(22,729)	-
Receipt from sale of property, plant and equipment		17	81
Other		(38)	26
Net cash flows used in investing activities		(27,018)	(6,907)
Cash flows from financing activities			
Repayment of lease liabilities		(261)	(275)
Proceeds from issue of shares	7	29,500	-
Transaction costs related to issues of shares		(392)	-
Net cash flows generated from/ (used in) financing activities		28,847	(275)
Net decrease in cash and cash equivalents held		(3,729)	(2,567)
Cash and cash equivalents at the beginning of the financial year		18,252	25,740
Effect of movement in exchange rates on cash held		(1,028)	11
Cash and cash equivalents at the end of the financial year		13,495	23,184

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

For personal use only

Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

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

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 together with any public announcements made during the half-year.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

New accounting policies adopted

a) Intangible assets

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

b) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

For personal use only

2. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into three operating segments based on differences in products and services provided: nutraceuticals, food and fibre.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (BOD) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Other segments represent the research and development and corporate headquarter activities of the consolidated entity.

The BOD reviews the profit or loss before income tax for each segment. The accounting policies adopted for internal reporting to the BOD are consistent with those adopted in the financial statements.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Ananda Health	Production and sale of hemp related nutraceutical products focused on the United States
Ananda Food	Production and sale of hemp related food products primarily in Australia
Hemp Black	Production and sale of innovative textile and hemp products primarily in United States
Ecofibre Corporate	Research and development and group corporate functions

Intersegment transactions
Intersegment transactions were made at arms-length market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables and payables
Intersegment transactions are initially recognised at the consideration received. Intersegment receivables and payables that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment receivables and payables are eliminated on consolidation.

For personal use only

2. Operating segments (continued)

Operating segment information

a) Segment performance

Consolidated – 31 Dec 2020	Ananda Health $'000	Ananda Food $'000	Hemp Black $'000	Ecofibre Corporate $'000	Total $'000
Revenue					
Sales to external customers	7,489	1,185	5,999	-	14,673
Intersegment sales	-	177	-	-	177
Total sales revenue	7,489	1,362	5,999	-	14,850
Government grant	-	102	-	331	433
Foreign exchange gain/ (loss)	1	(3)	-	(516)	(518)
Interest income	1	-	-	22	23
Other income	(18)	36	49	(23)	44
Total segment revenue	7,473	1,497	6,048	(186)	14,832
Total expenses	(9,729)	(2,255)	(6,399)	(3,843)	(22,226)
Intersegment purchases	-	(80)	-	-	(80)
Segment loss before income tax	(2,256)	(838)	(351)	(4,029)	(7,474)
Intersegment eliminations					(97)
Loss before income tax					(7,571)

Consolidated – 31 Dec 2019					
Revenue					
Sales to external customers	28,293	736	-	-	29,029
Intersegment sales	-	258	-	-	258
Total sales revenue	28,293	994	-	-	29,287
R&D tax rebate	-	-	-	-	-
Interest income	8	-	-	168	176
Other income	47	4	-	23	74
Total segment revenue	28,348	998	-	191	29,537
Total expenses	(15,216)	(1,614)	(1,085)	(2,816)	(20,731)
Intersegment purchases	-	(185)	-	-	(185)
Segment profit/ (loss) before income tax	13,132	(801)	(1,085)	(2,625)	8,621
Intersegment eliminations					(73)
Profit before income tax					8,548

For personal use only

2. Operating segments (continued)

Operating segment information (continued)

b) Segment assets and liabilities

	Ananda Health $'000	Ananda Food $'000	Hemp Black $'000	Ecofibre Corporate $'000	Total $'000
Consolidated – 31 Dec 2020					
Assets					
Segment assets	21,042	6,575	69,532	33,160	130,309
Unallocated assets:					
Cash and cash equivalents					13,495
Total assets					143,804
Liabilities					
Segment liabilities	3,506	1,624	1,837	13,259	20,226
Unallocated liabilities:					
Related party loans					10,000
Total liabilities					30,226
Consolidated – 30 June 2020					
Assets					
Segment assets	25,205	7,767	6,229	26,842	66,043
Unallocated assets:					
Cash and cash equivalents					18,252
Total assets					84,295
Liabilities					
Segment liabilities	6,949	2,600	311	1,434	11,294
Unallocated liabilities:					
Related party loans					10,000
Total liabilities					21,294

3. Other (expense) / income

	31 Dec 2020 $'000	31 Dec 2019 $'000
Government grant	433	-
Foreign exchange (loss)/ gain	(518)	22
Interest	23	176
Other income	44	52
	(18)	250

For personal use only

4. Expenses

	31 Dec 2020	31 Dec 2019
a) Direct costs	$'000	$'000
Costs of goods sold	4,808	5,231
Write down of inventory	369	335
	5,177	5,566
b) Other operating expenses		
Employees and contractors	7,760	6,700
Share based payments	1,592	1,667
Sales and marketing	860	1,425
Travel and accommodation	179	459
Equipment modification and maintenance	320	230
Short term leases	112	130
Legal fees and compliance	772	500
Accounting and audit	215	179
Depreciation and amortisation	1,973	876
Research and trials	1,072	1,413
Bad and doubtful debts	262	592
Other	1,354	918
	16,471	15,089

5. Intangible assets

	31 Dec 2020	30 Jun 2020
	$'000	$'000
Goodwill – at cost	48,814	-
Patents and trademarks – at cost	3,253	501
Less: Accumulated amortisation	(4)	(2)
	3,249	499
Software – at cost	209	209
Less: Accumulated amortisation	(101)	(57)
	108	152
Website development – at cost	221	-
Less: Accumulated amortisation	(20)	-
	201	-
Work in progress – at cost	18	8
Total intangible assets	52,515	718
Less: accumulated amortisation	(125)	(59)
	52,390	659

For personal use only

5. Intangible assets (continued)

Reconciliations

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

	Work in progress $'000	Goodwill $'000	Patents and trademarks $'000	Software $'000	Website development $'000	Total $'000
Balance at 1 Jul 2019	-	-	340	-	-	340
Additions	8	-	161	209	-	378
Amortisation	-	-	(2)	(57)	-	(59)
Balance at 1 Jul 2020	8	-	499	152	-	659
Additions	10	48,814	2,794	-	221	51,839
Amortisation	-	-	(2)	(44)	(20)	(66)
Write off	-	-	(42)	-	-	(42)
Balance at 31 Dec 2020	18	48,814	3,249	108	201	52,390

6. Related party loans

	31 Dec 2020 $'000	30 Jun 2020 $'000
Non-Current		
Term loan ^	10,000	10,000

The term loan has been provided by a trust related to the Company's non-executive Chairman, Mr Barry Lambert. Mr Lambert is the appointor of the trust, but neither he nor his descendents are beneficiaries. Mr Lambert is not a director or shareholder of the trustee company. The terms of the loan are as follows:

Agreement date : 23 June 2020
Principal balance : $10,000,000
Interest rate : 8.0% per annum
Repayment date : 15 July 2021 with two options to extend at Ecofibre's election. On the giving of 3 month's notice the repayment date may be extended twice for periods of 6 months each. At the date of this report, the Company intends to extend the term of the loan for at least 6 months.

For personal use only

7. Issued Capital

	31 Dec 2020 $'000	30 Jun 2020 $'000	31 Dec 2020 Quantity	30 Jun 2020 Quantity
Ordinary shares	106,596	62,376	324,153,325	305,619,401
Movement in ordinary shares				
Opening balance 1 Jul 2020 / 1 Jul 2019	62,376	56,189	305,619,401	291,951,478
Shares issued at $0.537 per share	-	3,836	-	7,147,561
Shares issued at $2.50 per share	29,500	-	11,800,000	-
TexInnovate acquisition shares	14,592	-	5,924,926	-
Conversion of convertible loan	-	1,433	-	5,148,223
Shares issued by the EST	452	918	808,998	1,372,139
Share issue cost	(324)	-	-	-
Closing balance 31 Dec 2020 / 30 Jun 2020	106,596	62,376	324,153,325	305,619,401

339,369,861 total shares are on issue by the parent entity, which includes 324,153,325 consolidated shares on issue plus shares held by the Employee Share Trust (EST) (15,216,536) which have been issued by the parent entity and are eliminated on consolidation.

Reconciliation to the Consolidated Statement of Changes in Equity:

	$'000
Balance at 30 June 2019	56,189
Shares issued	3,836
Share based payment: shares issued by the EST	918
Convertible loan conversion to shares	1,433
Balance at 30 June 2020	62,376
Shares issued	44,092
Share based payment: shares issued by the EST	452
Share issue cost	(324)
Balance at 31 December 2020	106,596

For personal use only

For personal use only

8. Interests in subsidiaries

The financial statements of the subsidiaries have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Name	Principal place of business / Country of Incorporation	Ownership Interests 31 Dec 2020	Ownership Interests 30 Jun 2020
Ecofibre Services Pty Ltd (ES)	Australia	100%	100%
Ananda Food Pty Ltd (AF)	Australia	100%	100%
Ecofibre Asia Pacific Pty Ltd (EAP) (formerly Ecofibre Holdings Pty Ltd)	Australia	100%	100%
Ecofibre USA Inc. (EUSA)	United States of America	100%	100%
Ananda Hemp Inc. (AH	United States of America	100%	100%
Ecofibre Kentucky LLC (EK)	United States of America	100%	100%
Hemp Black Inc. (HB)	United States of America	100%	100%
Hemp Black Biomedical, LLC (HBB)	United States of America	100%	-
Hemp Black Polymer, LLC (HBP)	United States of America	100%	-
EOF Distribution Inc. (EOFD)	United States of America	100%	100%
Ecofibre Uruguay SA (EU)	Uruguay	100%	100%

ES's principal activity is the provision of group corporate functions and research and development services.
AF's principal activity is the growing, processing and distribution of hemp food products.
EAPs principal activity is sales and distribution of hemp products.
EUSA's principal activity is an investment holding company.
AH's principal activity is the marketing and distribution of hemp nutraceutical products.
EK's principal activity is to support the manufacture of hemp nutraceutical products.
HB's principal activity is to develop and commercialise hemp fibre products.
HBB's principal activity is manufacturing and sale of customised polymer-based yarns used for internal medical implants and applications. HBB was incorporated on 31 July 2020.
HBP's principal activity is to provide performance masterbatch and custom compounding to the plastics industry for technical textiles. HBP was incorporated on 31 July 2020.
EOFD is a special purpose sales and marketing entity for the Ananda Health business in the United States.
EU is a dormant entity.

9. Earnings per share (EPS)

	31 Dec 2020 $'000	31 Dec 2019 $'000
Earnings used in the calculation of basic and diluted EPS ($'000)	(5,546)	7,078

Weighted average number of shares outstanding during the period used in the calculation of basic and diluted EPS:	Quantity	Quantity
Basic	320,039,217	293,516,056
Diluted	320,039,217	300,065,674

10. Business combinations

On 21 August 2020, the Group completed the acquisition of TexInnovate, a portfolio of five businesses with deep technical expertise and capabilities across a broad range of high-performance textile disciplines. TexInnovate was acquired to complete a key part of its supply chain for Hemp Black, accelerate commercialisation of the business and underpin the future growth and success of Hemp Black.

Total potential consideration for the businesses and operating assets is USD42.0m:

- at completion Ecofibre settled 50% of the business acquisition (USD21.0m), comprising USD10.5m cash and the issue of 5,924,926 shares at a value of USD10.5m; and
- contingent consideration with a value up to USD21.0m is also payable subject to the acquired businesses delivering USD6.0m earnings before interest and tax (EBIT) for two consecutive annual periods within five years of completion. The earliest that any such consideration may become due is in 3 equal tranches of USD7.0m on the 3rd, 4th and 5th anniversaries after completion, payable in equal proportions of cash and shares.

Consideration for real estate assets used by the businesses totalled USD6.7m, as determined by independent market appraisal. Acquisition of the real estate assets was settled in cash at the completion date.

The value of goodwill recognised on acquisition (AUD $48.8m) represents the proprietary capability, know-how, highly skilled workforce and expected growth synergies from combining this business with Hemp Black. The acquired business contributed revenues of $4,183,000 and profit before tax of $90,000 to the consolidated entity for the period from 21 August 2020 to 31 December 2020. The values identified in relation to the acquisition of TexInnovate are final as at 31 December 2020. It is impracticable to disclose the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combination that occurred during the year had been as of the beginning of the annual reporting period as this is an assets and business acquisition and not an acquisition of a subsidiary.

Details of the acquisition are as follows:

	$'000
Inventory	1,080
Plant and equipment	6,201
Land and buildings	9,249
Net assets acquired	16,530
Goodwill	48,814
Acquisition-date fair value of the total consideration transferred	65,344
Representing:	
Cash paid or payable	23,841
Shares issued to TexInnovate	14,592
Contingent consideration payable in cash subject to the acquired business achieving EBIT target *	12,611
Contingent consideration payable in shares subject to the acquired business achieving EBIT target	14,300
	65,344
Acquisition costs expensed to profit or loss	354
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	22,729
Net cash used	22,729

For personal use only

10. Business combinations (continued)

* Reconciliation of acquisition date contingent consideration payable in cash subject to the acquired business achieving the EBIT target to the balance at 31 December 2020:

	$'000
Acquisition-date fair value of the contingent consideration payable in cash **	12,611
Finance costs on contingent consideration during the period	137
Foreign currency impact	(796)
Balance at 31 December 2020	11,952

** The fair value of the contingent consideration is determined based on the probability weighted cash flow projections discounted at the incremental borrowing rate. The inputs used in the valuation falls under level 2 of the fair value hierarchy (inputs other than quoted prices that are observable for the asset of liability, either directly or indirectly)

11. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the US and Australian governments, such as maintaining social distancing requirements, health and quarantine regulations, regulations that affect the ability of group companies and their suppliers and customers to operate without restriction, travel restrictions and any economic stimulus that may be provided.

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

For personal use only

For personal use only

Ecofibre Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion
We have reviewed the accompanying half-year financial report of Ecofibre Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ecofibre Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and

b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion
We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Auditor's Responsibilities for the Review of the Financial Report
Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ACCOUNTANTS & ADVISORS
Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
williambuck.com

William Buck is an association of firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide.
Liability limited by a scheme approved under Professional Standards Legislation.
(WB017_2007)

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

William Buck

William Buck (Qld)
ABN:21 559 713 106

Junaide Latif
Director

Brisbane, 11 February 2021

For personal use only