



21 July 2021

Ecofibre Limited - 4Q21 Update and 4C Report

HIGHLIGHTS

- 4Q21 revenue \$7.3m, up 7% on prior quarter
- Independent pharmacy momentum continues as COVID-related issues ending
- Post-acquisition capability build in Hemp Black nears completion. Initial revenue streams 1Q22 from multiple new clients
- Operating cash outflows \$1.6m in 4Q21: underlying trend improved and targeting return to positive operating cashflow
- Balance sheet remains strong: \$8.6m cash and additional c\$7.7m expected 1H22 from FY21 US employee retention and tax credits and anticipated exercise of TJU options
- FY21 profit guidance confirmed

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, ADR: EOFBY) provides its Appendix 4C Quarterly Report for the three months ended 30 June 2021 (4Q21) and an update on the Company's trading performance.

4Q21 Trading Update (unaudited)

Unaudited revenue for 4Q21 was \$7.3m, up 7% from the prior quarter (\$6.8m) and down 3% on the prior corresponding period.

Ecofibre CEO Eric Wang said "Our US businesses are beginning to return to normal as COVID-related issues appear to be abating. Our core independent pharmacy channel is recovering, and we look forward to our partners returning to pre-COVID business levels in due course."

"We are very pleased with progress in our Hemp Black business, whose value proposition is to use its specialist capabilities to deliver clients the highest levels of sustainability and performance."



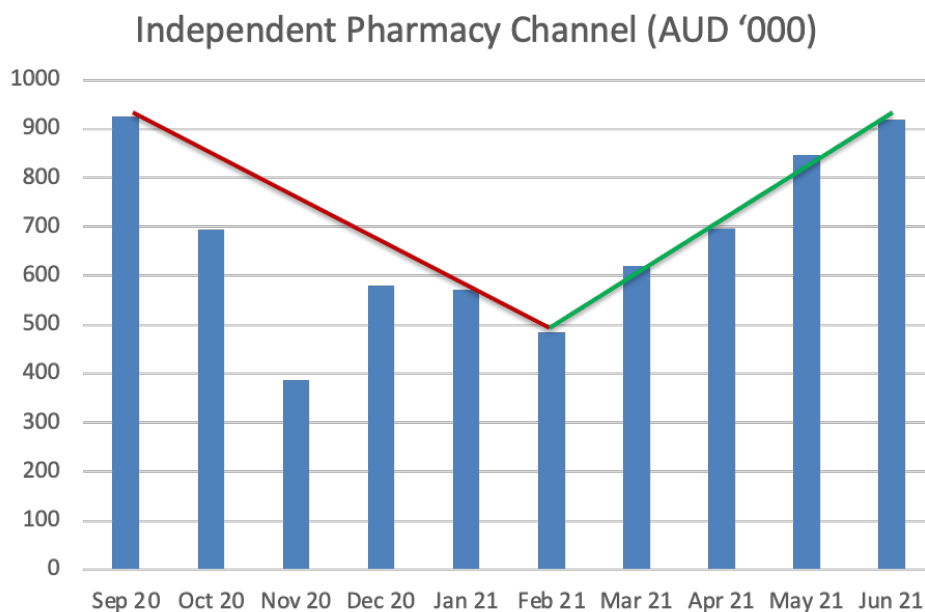


"Since completing the acquisition of TexInnovate in August 2020, Jeff Bruner and the team have been working to expand the production capacity of the business. The business has completed significant additions to three new core capabilities: polymer compounding, high-performance yarn extrusion and 3D-knitting in 2H21. These production lines have attractive financial potential, and it is pleasing to see early successes with product solutions developed for multiple clients during the quarter."

"Our Ananda Food business continues to perform well as awareness of hemp as a high-quality plant-based protein increases in Australia. Our hemp seed oil will be ranged via a second white label brand in 700 Coles stores in early 2Q22."

Ananda Health

In June, Ecofibre's core Ananda Professional business equalled its previous highest monthly revenues for FY21.



Increasing direct support to pharmacies

Ananda Health's online direct-to-consumer capability for independent pharmacies launched on May 3rd and to date over 100 pharmacies have enrolled. "We have been pleased with the take-up of this service by early-adopters", said Eric Wang, "and we are starting to see new revenues for pharmacies and Ananda Health."





A range of new products were launched in 3Q21, including a diabetic sock and treatment program, two women's health products focused on pelvic pain and vaginal health, and CBD fruit chews. These products accounted for c20% of independent pharmacy sales in 4Q21.

"Our new products address significant patient categories for independent pharmacies, and we are educating patients, pharmacists and doctors on the benefits of these products," said Eric Wang.

Australian CBD market

Ananda Health continues to prioritize its efforts to support an application to register products that meet the Therapeutic Goods Administration's Schedule 3 ('S3') requirements.

Ecofibre's Australian sleep study, *"Phase IIb Double-Blind, Randomised Placebo-Controlled Clinical Trial for CBD for sleep disturbances in a healthy population"* received human ethics committee approval in June and patient enrolment opened in July across four sites in Brisbane, Sydney, Melbourne and Lismore.

Ahead of any S3 approval, Ananda Health has expanded its existing Schedule 4 and 8 product range from two to five. The original range has been expanded with the addition of a THC-free 1000mg tincture, THC-free 60 count soft gels, and 1500mg endo relief cream. These products will continue to be sold under S4/8 regulations and require a doctor's prescription. The THC-free softgels are also being used for the S3 sleep study noted above.

Hemp Black

In 4Q21 Hemp Black began to supply several new clients to develop specialty yarns that are expected to lead to long-term supply relationships. The new polymer and yarn technologies for these clients will deliver cooling properties in mattresses, glow-in-the-dark capability for high performance safety equipment, as well as yarns made from 100% ocean reclaimed bottles.

Hemp Black has been conducting relevant product R&D while completing new polymer compounding and yarn extrusion lines that will have the capacity to support future orders. Hemp Black has an ongoing focus on R&D to support its pipeline of potential new clients, and further details on progress in the business will be provided with the release of the FY21 results.





Appendix 4C Cash Flow Discussion

The Company's cash position as at 30 June 2021 was \$8.6m (31 March 2021: \$11.7m).

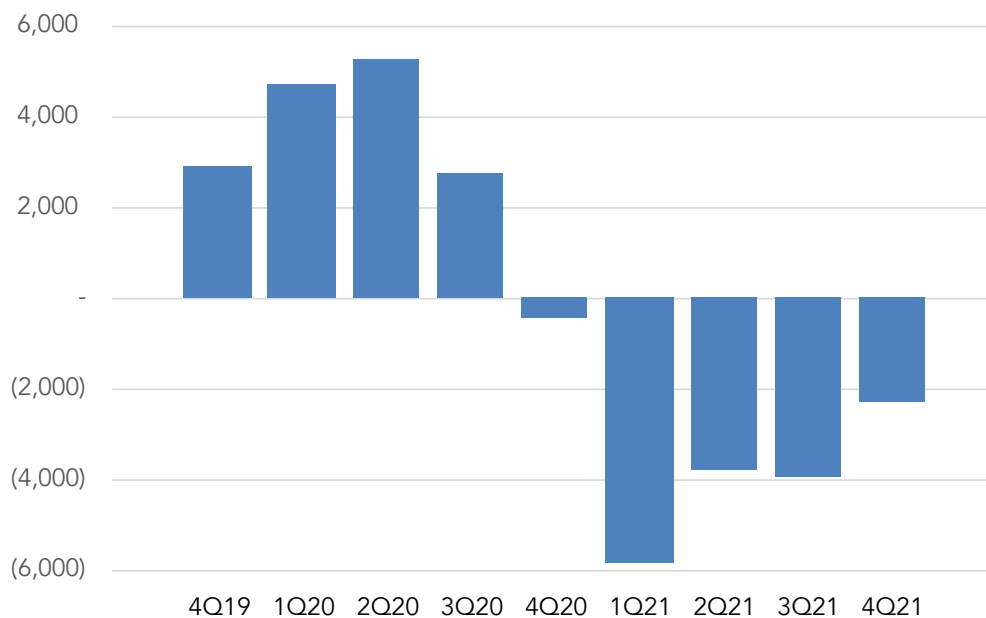
- Cashflow from **operating** activities in the quarter was -\$1.6m, the best underlying result of the year after adjusting for government grants and debtor movements.

The 4Q21 result includes:

- Receipts from customers of \$7.9m
- R&D costs (\$0.3m) mainly related to payments for clinical trials
- Product manufacturing and growing costs (\$3.7m), including grower payments for Ananda Health (\$0.4m) and Ananda Food (\$0.5m). Grower costs for Ananda Health will be significantly lower in FY22 as the business uses existing inventory.

"Underlying operating cash flow is consistently improving as businesses in the US return to normal. We look forward to returning to pre-COVID operating cash flow levels in due course," said CEO Eric Wang.

Normalised operating cash flows (000's)



Actual operating cash flow	3,184	3,871	608	150	1,044	(5,411)	(147)	(1,173)	(1,627)

*Normalised operating cash flow:

- Remove government grants and tax incentives which are not part of normal operations (4Q20 and 3Q21)
- Remove net benefit from reduction in debtors over time ie. timing of sales -v- collections
- Remove benefit from changes in escrow terms from credit card provider as terms improved (2Q20 and 3Q20)





- Cashflows used in *investing* activities totaled \$1.1m and mainly related to the development of Hemp Black yarn extrusion lines and expanding our 3D knitting capacity.
- Cashflows used in *financing* activities of \$0.2m relate to payment of the principal portion of lease liabilities.

In the next three months (1Q22) cashflows are expected to include:

- c\$2.4m employee retention credit, which is a grant available under the US Coronavirus Aid, Relief, and Economic Security Act modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020; and
- up to \$4.3m on the exercise of in-the-money options held by Thomas Jefferson University that expire on 30 September 2021.

The company also expects to receive a refundable credit (>\$1m) against taxes paid in the prior financial year due to a one-off measure in the Relief Act that permits FY21 tax losses to be carried-back against prior period taxable income.

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 \$156,000 during the quarter for directors' salaries and fees and \$200,000 for interest payments on a term loan.





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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. The Company also supplies its leading Ananda Hemp CBD products to Australians via the SAS B program. See www.anandahemp.com.au.

In Australia, the Company grows and produces hemp food products including protein powders, de-hulled hemp seed and hemp oil. See www.anandafood.com.

The Company also develops and produces innovative hemp-based textile products 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.



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 2021

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		7,936	32,866
1.2 Payments for			
(a) research and development		(270)	(2,141)
(b) product manufacturing and operating costs		(3,721)	(17,555)
<i>Grower payments, Ananda Health</i>		(388)	(2,894)
<i>Grower payments, Ananda Food</i>		(474)	(1,822)
<i>Production costs</i>		(2,859)	(12,839)
(c) advertising and marketing		(566)	(2,258)
(d) leased assets		(23)	(195)
(e) staff costs		(3,496)	(13,984)
(f) administration and corporate costs		(1,333)	(6,302)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	24
1.5 Interest and other costs of finance paid		(219)	(874)
1.6 Income taxes paid		47	(1,339)
1.7 Government grants and tax incentives		18	3,126
1.8 Other (provide details if material)		-	274
1.9 Net cash from / (used in) operating activities		(1,627)	(8,358)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	(13,689)
(c) property, plant and equipment		(1,075)	(14,820)
(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	-	(325)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	16	33
	(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)	(37)	63
2.6	Net cash from / (used in) investing activities	(1,096)	(28,738)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	29,500
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	-	(392)
3.5	Proceeds from borrowings	-	-
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)	(169)	(534)
3.10	Net cash from / (used in) financing activities	(169)	28,574

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,660	18,252
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,627)	(8,358)

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)	(1,096)	(28,738)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(169)	28,574
4.5	Effect of movement in exchange rates on cash held	(148)	(1,110)
4.6	Cash and cash equivalents at end of period	8,620	8,620

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	4,339	6,445
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits and credit card clearing accounts)	4,281	5,215
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,620	11,660

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	356
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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>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></p>	<p>Total facility amount at quarter end \$A'000</p>	<p>Amount drawn at quarter end \$A'000</p>
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		-
<p>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.</p> <ul style="list-style-type: none"> • Lender: James & Cordelia Thiele Trust Fund • Principal amount: AUD 10.0m • Repayment date: 15 July 2022 • Interest rate: 8.0% p.a • Lender costs payable: nil • Security / collateral: nil • Financial covenants: nil 		

<p>8. Estimated cash available for future operating activities</p>	<p>\$A'000</p>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,627)
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,620
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	8,620
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.3
<p><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></p>	
<p>8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p>	
<p>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?</p> <p>Answer:</p>	
<p>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?</p> <p>Answer:</p>	

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.

21 July 2021

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.