



**ECOFIBRE LIMITED**  
**(formerly known as Ecofibre Industries Operations Ltd)**  
**A.C.N. 140 245 263**  
**AND CONTROLLED ENTITIES**

**HALF-YEAR REPORT - 31 DECEMBER 2018**

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The company's registered office and principal place of business is:  
Level 12, 680 George Street  
Sydney NSW 2000

## **ECOFIBRE LIMITED**

### **DIRECTORS' REPORT**

Your directors present their report on the financial statements of the consolidated entity at the end of, or during the half-year ended 31 December 2018.

#### **Directors**

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

Barry Lambert  
Jon Meadmore  
Eric Wang

#### **Principal activities**

The principal continuing activities of the consolidated entity during the half-year were breeding, growing, harvesting, processing and distributing hemp products.

#### **Significant changes in the state of affairs**

In the half-year, the consolidated entity raised \$5.5Million from the issue of new shares.

Ecofibre Industries Operations Ltd changed its name to Ecofibre Limited on 19 November 2018.

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

#### **Review of operations and results**

The operating loss of the consolidated entity for the half-year after income tax was \$0.4Million (31 December 2017 half year: loss of \$2.3Million).

The net assets of the consolidated entity are \$10.7Million as at 31 December 2018 (30 June 2018: \$1.6Million).

During the half-year no dividend was paid (31 December 2017 half-year - Nil).

The Ananda Health business continued to record strong sales growth and is now profitable. The manufacturing facility in Kentucky was expanded to include bottling and packaging of finished goods, and Ananda Pets and Ananda Touch products were launched.

In December 2018 new legislation was passed in the United States to permanently remove hemp from the Controlled Substances Act.

The Ananda Food business opened a new production facility in Beresfield, New South Wales in September 2018, and also launched its own brand of hemp foods that same month.

The Hemp Black business is in the commercial prototype phase, and continues to work closely with Thomas Jefferson University to research and develop innovative products using hemp fibre and other materials.

#### **Rounding off of amounts**

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Report) Instrument 2016/191*, amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

**ECOFIBRE LIMITED****DIRECTORS' REPORT (continued)****Auditor's Independence Declaration**

The auditor's independence declaration has been received and can be found on page 3 of the half-year report.

Signed in accordance with a resolution of the directors.



\_\_\_\_\_  
Director

Barry Lambert



\_\_\_\_\_  
Director

Eric Wang

Brisbane, 7 February 2019



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 2018, 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*

**Junaide Latif**  
 Director

Brisbane: 7 February 2019

**CHARTERED ACCOUNTANTS  
& ADVISORS**

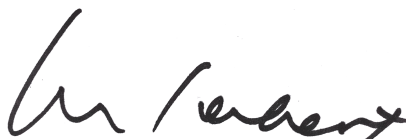
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**ECOFIBRE LIMITED****DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 16 are in accordance with the Corporations Act 2001 and:
  - a) comply with Accounting Standards and the Corporations Regulations 2001;
  - b) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
  - c) give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



\_\_\_\_\_  
Barry Lambert Director



\_\_\_\_\_  
Eric Wang Director

Brisbane, 7 February 2019

## ECOFIBRE LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Revenue	3	13,324	1,262
Direct costs	5(a)	(4,661)	(1,254)
Gross profit		<hr/> 8,663	<hr/> 8
Other income	4	1,520	2,860
Other operating expenses	5(b)	(10,147)	(4,942)
Interest expense		(250)	(217)
Loss before income tax		<hr/> (214)	<hr/> (2,291)
Income tax expense		(183)	(16)
Loss after income tax attributable to the members of the company		<hr/> (397)	<hr/> (2,307)
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entities		206	(31)
Total comprehensive income for the year attributable to the members of the company		<hr/> (191)	<hr/> (2,338)
Basic earnings per share (cents per share)	10	(0.48)	(3.03)
Diluted earnings per share (cents per share)	10	(0.48)	(3.03)

To be read in conjunction with the accompanying notes.

## ECOFIBRE LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	Note	31 Dec 2018 \$'000	30 Jun 2018 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		5,928	2,756
Trade and other receivables		2,059	990
Inventories		4,193	2,719
Biological assets		2,912	955
Other current assets		920	794
<b>TOTAL CURRENT ASSETS</b>		<u>16,012</u>	<u>8,214</u>
<b>NON-CURRENT ASSETS</b>			
Intangible assets		340	340
Property, plant and equipment		4,490	2,714
<b>TOTAL NON-CURRENT ASSETS</b>		<u>4,830</u>	<u>3,054</u>
<b>TOTAL ASSETS</b>		<u>20,842</u>	<u>11,268</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		6,283	3,561
Related party loans	6	260	939
Tax payable		86	80
<b>TOTAL CURRENT LIABILITIES</b>		<u>6,629</u>	<u>4,580</u>
<b>NON-CURRENT LIABILITIES</b>			
Related party loans	6	2,830	4,452
Borrowings		722	676
		<u>3,552</u>	<u>5,128</u>
<b>TOTAL LIABILITIES</b>		<u>10,181</u>	<u>9,708</u>
<b>NET ASSETS</b>		<u>10,661</u>	<u>1,560</u>
<b>EQUITY</b>			
Issued capital	9	32,209	22,536
Foreign currency translation reserve		65	(141)
Accumulated losses		(23,901)	(23,504)
Convertible loan reserve		329	524
Share-based payment reserve		1,959	2,145
<b>TOTAL EQUITY</b>		<u>10,661</u>	<u>1,560</u>

To be read in conjunction with the accompanying notes.

## ECOFIBRE LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	Issued capital \$'000	Share- based payment reserve \$'000	Convertibl e loan reserve \$'000	Foreign currency translation reserve \$'000	Accumulate d losses \$'000	Total \$'000
Balance at 30 June 2017		13,635	-	524	(69)	(14,877)	(787)
Total comprehensive income for the year		-	-	-	(31)	(2,307)	(2,338)
Shares issued		4,207	-	-	-	-	4,207
Convertible loan		-	-	-	-	-	-
Balance 31 December 2017		<u>17,842</u>	<u>-</u>	<u>524</u>	<u>(100)</u>	<u>(17,184)</u>	<u>1,082</u>

	Note	Issued capital \$'000	Share- based payment reserve \$'000	Convertibl e loan reserve \$'000	Foreign currency translation reserve \$'000	Accumulate d losses \$'000	Total \$'000
Balance 30 June 2018	9	22,536	2,145	524	(141)	(23,504)	1,560
Total comprehensive income for the year		-	-	-	206	(397)	(191)
Shares issued		5,548	-	-	-	-	5,548
Share-based payments		2,184	(186)	-	-	-	1,998
Loan conversion		1,941	-	(195)	-	-	1,746
Balance 31 December 2018	9	<u>32,209</u>	<u>1,959</u>	<u>329</u>	<u>65</u>	<u>(23,901)</u>	<u>10,661</u>

To be read in conjunction with the accompanying notes.



## ECOFIBRE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash flows from operating activities		
Receipts from customers	12,223	943
R & D tax rebate	1,476	2,798
Payments to suppliers and employees	(12,964)	(6,642)
Interest received	22	8
Finance costs paid	(187)	(215)
Income tax paid	(177)	(16)
Net cash flows generated from (used in) operating activities	<u>393</u>	<u>(3,124)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(2,156)	(702)
Net cash flows used in investing activities	<u>(2,156)</u>	<u>(702)</u>
Cash flows from financing activities		
Loan from (repayment to) related entities	(572)	-
Proceeds from issue of shares	5,507	4,207
Net cash flows generated from financing activities	<u>4,935</u>	<u>4,207</u>
Net increase in cash and cash equivalents held	3,172	381
Cash and cash equivalents at the beginning of the financial year	2,756	2,449
Cash and cash equivalents at the end of the financial year	<u>5,928</u>	<u>2,830</u>

To be read in conjunction with the accompanying notes.

**ECOFIBRE LIMITED****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018****1 Basis of preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018.

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.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

***AASB 9 Financial Instruments***

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

**ECOFIBRE LIMITED****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018****1 Summary of significant accounting policies (continued)****New or amended Accounting Standards and Interpretations adopted (continued)****AASB 9 Financial Instruments (continued)**

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

**AASB 15 Revenue from Contracts with Customers**

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards is minimal.

## ECOFIBRE LIMITED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

#### 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 segments. The accounting policies adopted for internal reporting to the BOD are consistent with those adopted in the financial statements.

The information reported to the BOD is on a monthly basis.

##### *Types of products and services*

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

Ananda Health	the farming, manufacturing, marketing and distribution of hemp nutraceutical products predominantly in United States.
Ananda Food	the farming, manufacturing, marketing and distribution of hemp food products in Australia.
Hemp Black	the research and development and commercialisation of hemp fibre products.
Ecofibre Corporate	the research and development and corporate headquarter activities.

##### *Intersegment transactions*

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

##### *Intersegment receivables, payables and loans*

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

## ECOFIBRE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

## 2 Operating segments (continued)

## Operating segment information

	Ananda Health \$'000	Ananda Food \$'000	Hemp Black \$'000	Ecofibre Corporate \$'000	Total \$'000
<b>(a) Segment performance</b>					
Consolidated - 31 Dec 2018					
Revenue					
Sales to external customers	12,048	1,276	-	-	13,324
R&D tax rebate	-	-	-	1,476	1,476
Interest income	18	-	-	4	22
Other income	41	6	-	(25)	22
Total revenue	12,107	1,282	-	1,455	14,844
Total expenses	(9,212)	(1,696)	(1,329)	(2,821)	(15,058)
Loss before income tax	2,895	(414)	(1,329)	(1,366)	(214)

## Consolidated - 31 Dec 2017

Revenue					
Sales to external customers	1,063	136	-	63	1,262
R&D tax rebate	-	-	-	2,798	2,798
Interest income	-	-	-	8	8
Other income	(4)	-	-	58	54
Total revenue	1,059	136	-	2,927	4,122
Total expenses	(3,992)	(259)	-	(2,162)	(6,413)
Loss before income tax	(2,933)	(123)	-	765	(2,291)

**(b) Segment assets and liabilities**

## Consolidated - 31 Dec 2018

<b>Assets</b>					
Segment assets	10,179	3,151	1,296	11,205	25,831
Intersegment eliminations					(10,917)
<i>Unallocated assets:</i>					
Cash and cash equivalents					5,928
Total assets					20,842
<b>Liabilities</b>					
Segment liabilities	8,713	4,567	1,080	2,840	17,200
Intersegment eliminations					(10,917)
<i>Unallocated liabilities:</i>					
Provision for income tax					86
Related party loans and borrowings					3,812
Total liabilities					10,181

## ECOFIBRE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

## 2 Operating segments (continued)

Operating segment information (continued)

	Ananda Health \$'000	Ananda Food \$'000	Hemp Black \$'000	Ecofibre Corporate \$'000	Total \$'000
<b>(b) Segment assets and liabilities</b>					
Consolidated - 31 Dec 2017					
Assets					
Segment assets	3,344	2,479	340	9,915	16,078
Intersegment eliminations					(7,566)
<i>Unallocated assets:</i>					
Cash and cash equivalents					2,756
Total assets					<u>11,268</u>
Liabilities					
Segment liabilities	6,020	3,419	-	1,687	11,126
Intersegment eliminations					(7,566)
<i>Unallocated liabilities:</i>					
Provision for income tax					80
Related party loans and borrowings					6,068
Total liabilities					<u>9,708</u>

## 3 Revenue

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
<i>Revenue from contracts with customers</i>		
Sale of goods	13,290	1,249
Freight cost recovered	34	13
	<u>13,324</u>	<u>1,262</u>

## 4 Other income

Research and development tax rebate	1,476	2,798
Interest	22	8
Other income	22	54
	<u>1,520</u>	<u>2,860</u>

## 5 Expenses

## (a) Direct costs

Cost of goods sold	5,049	567
Write down of inventory	-	687
Reversal of inventory provision	(388)	-
	<u>4,661</u>	<u>1,254</u>

## ECOFIBRE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

## 5 Expenses (continued)

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
<b>(b) Other operating expenses</b>		
Employees and contractors	5,211	2,283
Share based payments - employees	1,576	-
Share based payments - contractors	316	-
Sales and marketing	547	747
Travel and accomodation	299	365
Equipment modification and maintenance	207	388
Rent	323	230
Legal fees and compliance	453	113
Accounting and audit	94	72
Others	1,121	744
	<u>10,147</u>	<u>4,942</u>

## 6 Related party loan

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Current		
Loan - P&K Warner (USD)	-	187
Loan - P&K Warner (AUD)	-	285
Loan - Warneroo Pty Ltd	-	92
Convertible loan - Lambert Superannuation Fund *	260	375
	<u>260</u>	<u>939</u>
Non-current		
Convertible loan - Lambert Superannuation Fund *	<u>2,830</u>	<u>4,452</u>

\* On 5 September 2018, \$1,867,250 of the convertible loan was converted into ordinary shares in Ecofibre Limited at \$0.77 per share.

In October 2018, Barry Lambert agreed to provide a \$6.5 million line of credit to Ecofibre Limited. This facility is unsecured and incurs interest at 7.5% per annum. This facility is available until 30 June 2019. As at 31 December 2018, the balance of loan drawn from this line of credit is nil.

**ECOFIBRE LIMITED****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018****7 Changes to the group structure**

The Group completed a restructure of its subsidiaries, including the incorporation of Ecofibre Services Pty Ltd and Ecofibre USA Inc.

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

<b>Name</b>	<b>Country of Incorporation</b>	<b>Ownership Interest</b>	
		<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
Ecofibre Services Pty Ltd	Australia	100%	-
Ananda Food Pty Ltd (formerly Hemp Australia Pty Ltd)	Australia	100%	100%
Ecofibre USA Inc.	United States of America	100%	-
Ananda Hemp Inc. (formerly United Life Science Inc.)	United States of America	100%	100%
Ecofibre Kentucky LLC	United States of America	100%	100%
Hemp Black Inc. (formerly SativaL Inc.)	United States of America	100%	100%
Ecofibre Uruguay SA	Uruguay	100%	100%

**8 Employee share trust**

On 29 June 2018, the Company entered into an Employee Securities Trust Deed with Pacific Custodians Pty Limited (PCPL) to set up an employee share trust (EST). PCPL is the trustee for the EST.

In August 2018 and September 2018, Ecofibre Limited issued a total of 7,355,659 shares into the Employee Share Trust as part of Ecofibre's employee share scheme (ESS).

The movement of Ecofibre's shares held in the EST are as follows:

	Number of shares
Opening balance as at 30 June 2018	-
Shares issued by the Company to the EST	7,355,659
Shares issued by the EST to employees as part of the ESS	<u>(1,356,449)</u>
Balance as at 31 December 2018	<u><u>5,999,210</u></u>



## ECOFIBRE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

## 9 Issued Capital

	31 Dec 2018 \$'000	30 Jun 2018 \$'000	31 Dec 2018 Quantity	30 Jun 2018 Quantity
<b>Issued capital</b>				
Ordinary shares	32,209	22,536	86,968,156	80,195,441
<b>Movement in ordinary shares</b>				
Opening balance	22,536	13,635	80,195,441	74,648,953
Shares issued at \$1.61 per share	1,352	8,901	839,636	5,546,488
Shares issued at \$1.95 per share	4,196	-	2,151,630	-
Shares issued as part of the ESS	2,184	-	1,356,449	-
Conversion of convertible loan	1,941	-	2,425,000	-
Closing balance	32,209	22,536	86,968,156	80,195,441

The total quantity of shares issued as at 31 December 2018 consist of:

Ordinary shares	86,968,156
Treasury shares held in the employee share trust	5,999,210
Total ordinary shares issued	<u>92,967,366</u>

## 10 Earnings per share (EPS)

	31 Dec 2018	31 Dec 2017
Earnings used in the calculation of basic and diluted EPS (\$'000)	(397)	(2,307)
Weighted average number of shares* outstanding during the period used in the calculation of basic and diluted EPS:		
Basic	82,496,073	76,143,784
Diluted	82,496,073	76,143,784

\* Weighted average number of shares exclude Treasury shares held in the EST.

## 11 Subsequent events

## a. Initial public offering

As at the date of signing of the financial statements, the company is in the final stages of preparation for an initial public offering and the listing of its shares on the Australian Securities Exchange.

## b. Purchase of land in Kentucky

The consolidated entity has entered into a conditional contract to purchase 6.2 acres of land in Georgetown Kentucky for US\$160,000. The contract is conditional upon local government approval and approval of an incentive by Kentucky Economic Development Finance Authority.

The land is situated near Ecofibre's existing nutraceutical facility in Cynthiana Kentucky, and subject to completion of the Initial Public Offering will be used to construct a US head office and production facility for Hemp Black, as well as accommodate future growth in the nutraceuticals business.

**ECOFIBRE LIMITED****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018****11 Subsequent events (continued)**

## c. Share split

On 11 November 2018 the Company's shareholders passed a resolution which authorised the Directors to proportionally increase (split) the number of shares of the Company on issue immediately prior to the issue of a prospectus for the Listing.

The share split was implemented on 6 February 2019 at a ratio of 3 shares for every existing share.

## d. ESS Offer to employees

Offers were made to 44 staff for the right to participate in the ESS. All the offers were accepted in January 2019 for a total amount of 1,487,100 shares. As a result of the 1 to 3 share split on 6 February 2019, the total share entitlement increased to 4,461,300.

These shares will be issued to employees from shares already held by the ESS if employees meet time-based, or time and performance based, vesting hurdles. The time based hurdles are 1, 2, 3 or 5 years, typically depending on the seniority of the employee.

## e. Issue of shares to Thomas Jefferson University (TJU)

On 4 February 2019, TJU exercised its option to purchase shares at a price of \$1.61 per share in relation to the accumulated value of research services provided for Hemp Black up to 31 December 2018 (USD1,389,600) and the company issued 1,128,194 shares to TJU. As a result of the 1 to 3 share split on 6 February 2019, the total shares issued to TJU increased to 3,384,582.

**12 Contingencies**

On 30 November 2015, Ecofibre Limited (Ecofibre) received a letter including a claim from a person purporting to represent The Hemp Corporation Pty Ltd (THCPL). The letter referred to discussions involving Ecofibre and THCPL and Ecofibre's lapsed arrangement with Odin Energy Limited and THCPL.

On 24 April 2018, a distributor demanded arbitration against Ananda Hemp Inc. (AH, a subsidiary of Ecofibre), asserting a claim for damages based upon an alleged breach of a Sales Agency Agreement terminated by AH in December 2017. AH denies that it breached the agreement and has filed a cross-petition.

The directors consider both claims devoid of merit, and do not intend to pay the amounts demanded or any other amount.

## **Ecofibre Limited (formerly known as Ecofibre Industries Operations Ltd)**

### **Independent auditor's review report to members**

## **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) on pages 5 to 17, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 on pages 5 to 16 is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2018 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.

### **Responsibilities of the Directors for the Half-Year 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.

#### **CHARTERED ACCOUNTANTS & ADVISORS**

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### **Auditor's Responsibilities for the Review of the Half-Year Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2018 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.

As the auditor of Ecofibre Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

### **Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Ecofibre Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*William Buck*

**William Buck (Qld)**

ABN:21 559 713 106

*J A Latif*

**J A Latif**  
Director

Brisbane, 7 February 2019