ECOFIBRE

ANNUAL REPORT 2020

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About Ecofibre

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

In the United States, the Ananda Health business is the #1 provider of hemp-derived CBD for retail pharmacies. 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.

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 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.

FINANCIAL HIGHLIGHTS

Revenue
up 42% from $35.6m to
$50.7m

Channel mix
Branded channel sales
87%

NPAT
up 119% from $6.0m to
$13.2m

Channel mix
Wholesale distributor sales
up 279%
$9.3m

Fully diluted EPS
up 100% from 2.17 cps to
4.34 CPS

Gross Margin
for FY20
76%

Net Assets
up from $42.3m to
$63.0m

Underlying EBITDA margin
for FY20
27%

OUR VISION

> KEY INFRASTRUCTURE IN PLACE FOR NEXT STAGE OF GROWTH

CHAIRMAN'S LETTER

Dear Shareholders

On behalf of the Directors it is my pleasure to welcome you to our second annual report as a listed company.

In the 2020 financial year (FY20) the Company continued its trajectory of strong growth in revenues and profits. Our financial performance is summarised on page 1 and recorded in detail later in this report.

Shareholders will be pleased to note the progress made in each of our three businesses.

Our United States (US) nutraceuticals business, Ananda Health, maintained dominant market share in the key retail pharmacy channel despite being slowed by COVID-19 and wide-spread civil unrest across the country.[1]

Ananda Health reached an important milestone in May when it won an exclusive distribution agreement with the largest retail pharmacy in the US, CVS Pharmacy.

The win speaks highly of the quality of the Ananda Health team and products, and we are on track to stock our first 'topical' products in select CVS locations in the second quarter of this year.

It's worth noting that most national US retailers and distributors still only stock topical CBD products. As more clinical studies are conducted and confidence in the health benefits of CBD continues to improve, we look forward to the day when 'ingestible' products can also be supplied through these channels.

[1] IRI data. Graph shows composition of drug store class of trade for the 52 week period ending 17 May 2020. The drug store class of trade includes national and regional chain stores and independent pharmacies. Independent pharmacies represent 77% of all CBD sales in this channel.

We've committed to an ongoing program of clinical research to provide patients, pharmacists, doctors and regulators with the information they need to make informed decisions, and we believe that Ananda Health is very well positioned as the CBD industry continues to professionalise. For those unfamiliar with our business, all of our products are made with non-psychoactive hemp, not marijuana.

Our Hemp Black business was commercialised in FY20 after more than two years of technology development with Thomas Jefferson University (TJU).

In April 2020 Hemp Black was beginning to manufacture a range of yoga wear, both to launch its brand and also to demonstrate the quality and functionality of its technologies. With the onset of COVID-19, our CEO Eric Wang made a nimble decision to switch production and focus on meeting demand for anti-bacterial and reusable face masks. With outbreaks continuing and greater focus on public health globally it seems the need for high-quality masks won't disappear anytime soon.

As a result of this pivot Hemp Black was able to break even in FY20.

We also recently announced the transformational acquisition of advanced textile manufacturer, and long-term Hemp Black partner, TexInnovate. This business will strengthen Hemp Black's capabilities, which now extend through the value chain from R&D and patents, to manufacture, and strong distribution through Ananda Health and existing TexInnovate customers.

On behalf of the Board I'd like to extend a warm welcome to the president of TexInnovate, Jeff Bruner, and his highly skilled team. I look forward to their continued success as part of the Ecofibre family.

Our third business, Ananda Food, is making steady progress but remains unprofitable.

Our food products are available at Woolworths Stores under the 'Macro' brand, and through selected IGA stores under the Ananda Food brand. Our products are also sold wholesale to food manufacturers and other distributors. As sales and production volumes increase we are expecting a better outcome for Ananda Food in FY21.

New Kentucky Headquarters

Management has done a wonderful job designing and building our new facility in Kentucky, USA.

The building brings together staff from a number of locations and creates a highly productive working environment for our US team. The building now serves as our US headquarters, a production facility for Ananda Health and Hemp Black, and a future training centre for pharmacists and doctors.

I haven't been able to tour the facility yet due to travel restrictions, but it's clearly a showpiece for our products and capabilities.

Progress in Australia

I am pleased that full spectrum Ananda Hemp products are now available in Australia under the Special Access Scheme (SAS) and Authorised Prescriber scheme. The product supplied in Australia is the same as our industry leading US product and is very competitively priced as we utilise the scale of our US operations.

Health practitioners are prescribing the product for a range of conditions, and I congratulate the Australian Therapeutic Goods Administration (TGA) and governments for making Ananda Hemp available in Australia.

In June 2020 the Australian government passed legislation to allow certification for legitimate export of hemp seed and similar products.

Further improvements in the Australian regulatory environment are also likely following publication of the Senate Community Affairs Committee report 'Current barriers to patient access to medicinal cannabis in Australia' in March 2020.

Our future

We made substantial progress across the business in FY20, and I'd like to thank my fellow directors, our management team and staff for their hard work and the results they've delivered for shareholders.

As with previous years, I want to highlight the contribution of our Managing Director, Eric Wang. His drive and ability have been key to Ecofibre's success, and his commitment to the Company is second to none. Eric has now relocated permanently to the US to focus on the large market opportunity available to our business, and on behalf of all shareholders I'd like to thank both him and his family.

My thanks also to the patients, customers, business partners and others who are all part of the Ecofibre story, and especially to you the shareholders for your continued support.

On a personal note, my grand-daughter Katelyn continues to thrive on her daily dose of Ananda Hemp.

Thank you for being an Ecofibre shareholder

Barry Lambert
Chairman

MANAGING DIRECTOR'S LETTER

Dear Fellow Shareholders,

I would like to join Barry in thanking you for your continued support and it is my pleasure to report on Ecofibre's operations and financial performance in our first full year as a publicly listed company.

Many shareholders have recently reached out to check-in and ask what my mindset is as our leadership team manages through an unusually high level of uncertainty and disruption on a global scale.

To draw an analogy closer to home, the leadership mindset that we have taken reminds me of the song "Four Seasons in One Day" by Crowded House. Like the weather, economic conditions are always changing, and this ultimately impacts customers' mindsets and behaviours. And like people adjust to the weather on a regular basis, companies must regularly adjust to economic changes to grow and be relevant.

In the last several months Ecofibre has certainly experienced several abrupt changes in economic conditions that have affected our customers' mindset and behaviour. In my view, going forward it is prudent to expect abrupt changes to our economy to become the norm as opposed to the exception.

Our Victorian shareholders will tell us they leave the house every morning (pre-COVID) prepared for Four Seasons in One Day. Likewise, our management team remains focussed on growing Ecofibre profitably in an environment where 'economic seasons' can change in one day.

With this backdrop, there are two points I will highlight as I review FY20 and more importantly set the scene for FY21:

- Our strategy and vision remain constant
- All three of our businesses are now in commercial phase as we grow our diversified portfolio

Our strategy and vision remain constant

In last year's annual report, I shared the four principles we use to deploy capital in support of our portfolio strategy. I wanted to remind shareholders of these principles as they anchor our strategy, and ensure measured decision making. They help keep us focused on building a growing, sustainable, resilient business that actively manages economic change.

- Strong purpose: we only enter markets where we believe our products can improve the lives and well-being of people and the sustainability of our planet
- Clear focus: we target customers and segments that our capabilities and values are aligned to
    - Quality, safety and transparency
    - Education
    - Sustainability

- Design to last: our business models must be profitable, sustainable and provide flexibility as we operate in a highly fluid industry

- Execute with conviction: patience to properly invest in infrastructure and brand, and conviction that our products improve the lives of people and our planet, means we take a long-term view on these businesses

Across our three businesses we have deep conviction that our value propositions resonate with customers, the segments we target are attractive from a growth and financial perspective, and that we can be the clear leader in our specific market segments.

All three of our businesses are now in commercial phase as we grow our diversified portfolio

Our stated strategy is to establish a portfolio of businesses that create hemp-based products that add value and improve people's lives. I am very pleased to report that we have progressed this strategy to a point where all three of our businesses are now in the full commercial stage of their lifecycle.

Last year our portfolio had an 'established' US based CBD business Ananda Health, a 'recently established' Australian based hemp food business Ananda Food, and a Hemp Black 'R&D program' with plans to begin early commercial activity by the end of FY20.

Over the past year our management team has:

- Profitably grown the Ananda Health business and generated positive cash flow to fund the working capital required to seed our Ananda Food and Hemp Black businesses during the early stages of their development.

  Ananda Health continues to expand its market leading position in US retail pharmacies, improve its cost efficiency ratios and selectively add product lines relevant to our target customers.

  At the strategic level we were able to implement two major shifts which are fundamental to our long-term success in the US CBD market. Our formal relationship with CVS Pharmacy, the largest pharmacy chain in the US, will underpin our growth as CBD evolves into a mass market product. I still consider CBD in the US to be in its early stages of acceptance with large upside when the industry reaches its full potential.

  Secondly, we have established major regional and national distribution relationships across the US. These traditional intermediated channels for pharmacies will underpin the success of establishing CBD as a staple in the professional US health care system.

  We welcomed David Neu as CEO of Ananda Health during the year, and I would like to personally thank him and his team for their leadership and commitment to Ecofibre. David and his wife Espy are in the process of relocating from their homes in Los Angeles and Philadelphia to Kentucky where our US headquarters is located.

- Established and deepened large scale commercial relationships for our Ananda Food business.

  We were not able to deliver a profitable result this year as I had planned but the team has been able to expand our presence across a range of products and customers which will create a solid result for this coming financial year.

We continue to be the leading grower and producer of hemp food in Australia and do so with the highest levels of quality control and food security which allow us to serve the top brands across Australia. During the year it was agreed that our range with Woolworth Macro brand will be extended to include hemp seed oil, and Ananda Food was also selected to supply one of Australia's leading plant-based food manufacturers. These products will be available across Australia in the very near future.

- Completed our core R&D and intellectual property development for Hemp Black and have begun to translate this IP into what we expect to be a highly attractive profitable long-term business.

  During the year our portfolio of IP has matured with several patents granted and others pending approval. The business also established the core supply chains required to take product concepts to market at scale. I would like to thank Mark Sunderland, Chief Innovation Officer, for his tireless leadership and innovative vision for Hemp Black. In addition to his current role, Mark will step into a group-wide role as Chief Sustainability Officer as we develop one of the most sustainable hemp business models globally.

- Completed all of our major capital investment programs for the foreseeable future with the building of our US Headquarters in Kentucky and the proposed acquisition of TexInnovate.

  Our US Headquarters houses production and manufacturing processes for Ananda Health and Hemp Black as well as all core functions to support and run these businesses. The building is one of the most sustainable in Kentucky and construction was completed in under a year thanks to a remarkable team effort between our architects, construction manager, contractors and staff. This building is one of the most important marketing tools for our businesses as it provides physical / visual proof points of the production quality of Ananda Health and a wide range of use cases for Hemp Black.

Finally, I am very pleased to welcome the TexInnovate team to the Ecofibre family. This acquisition completes all of the core components of our Hemp Black supply chain and we expect this business to be a meaningful part of our portfolio from both a revenue and profit perspective in FY21.

I have had the pleasure of working closely with Jeff Bruner over the past 18 months. He and his team add significant depth and experience to Ecofibre and are one of the most respected teams in the world of high-performance textiles. Jeff will maintain all of his current responsibilities and serve as President of Hemp Black.

Outlook

As our business continues to grow, it is worth reflecting on the fact that Ecofibre sold its first US CBD product in January 2017, hemp food only became legal in Australia in November 2017, and Hemp Black sold its first product in May of this year. The growth in both revenues and profits in such a short time is a testament to the Ecofibre team across multiple geographies.

Today Ecofibre is a leader in our target markets and I am confident that our absolute and relative position will continue to improve. I am excited to finally have our portfolio of businesses fully established and see our teams capture full potential for the Group.

Thank you

Thank you again to all our customers, business partners and shareholders for your continued support of Ecofibre.

As shareholders, we are privileged to have strong talent, commitment and an ownership culture across all of our teams. They are the core of the Company and I am thankful for everything they do.

My personal thanks to Barry and Jon, my fellow directors, who have been instrumental in supporting me so that Ecofibre could be nimble when it mattered most.

Finally, I want to thank Christy and my children who have been the greatest source of support and understanding over the past four years whilst I have been commuting to the US. I am very much looking forward to having the family together as we relocate to the US. We will miss our friends and we will always call Australia home.

Eric Wang
Managing Director

From left to right:
Eric Wang (Chief Executive Officer & Managing Director)
Sam Timmermann (Marketing Director - Ananda Health)
John Ryan (Chief Strategy Officer)
Georgie Rist (Vice President Global Accounts - Ananda Health)
Alex Nance (Operations Manager)
Alex Capano (Chief Science Officer)
Brent Ballard (Vice President of Strategic Accounts - Ananda Health)
Jerry Newton (Chief Operating Officer - Ananda Health)
Adam Cantwell (Vice President Global Operations)
Chuck Schneider (Chief Marketing & Administrative Officer)
Mark Sunderland (Chief Innovation Officer - Hemp Black)
Kalie Borsato (Director of Sales Operations, Ananda Health)
Mary Jakobi (US Financial Controller)
Jeff Bruner (President TexInnovate)
David Neu (Chief Executive Officer, Ananda Health)

Absent from photo:
Alastair Bor (Chief Technology Officer)
Jonathan Brown (Chief Financial Officer)
Kieren Brown (Managing Director – Ananda Food)
Kate Douglass (Group Financial Controller)

"

OUR CUSTOMERS ARE OUR MOST VALUABLE RESOURCE.

WE WILL ALWAYS BE THE MOST RESPECTED COMPANY.

A GREAT COMPANY HAS ACCOUNTABLE INDIVIDUALS.

WHEN YOU LOVE WHAT YOU DO, IT WON'T FEEL LIKE WORKING.

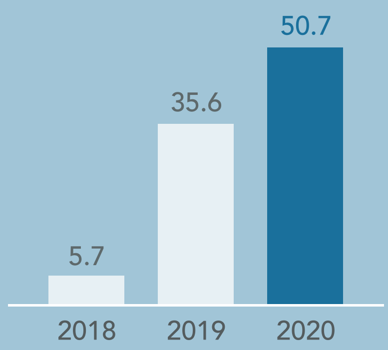
WE ARE A LEADER IN OUR INDUSTRY WHICH MEANS BREAKING AND SETTING THE RULES.

OPERATING + FINANCIAL REVIEW

REVENUE

↑ 42%

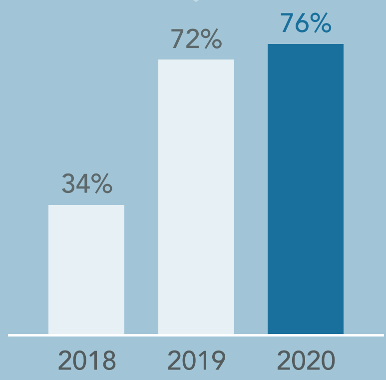
Growth across all business lines



GROSS MARGIN

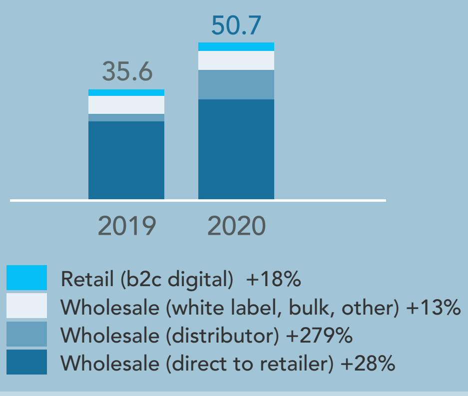
↑ 4%

Continued focus on production efficiency



CHANNEL MIX

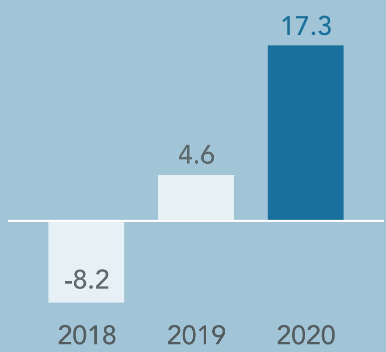
Ongoing shift to wholesale distribution



PROFIT BEFORE TAX

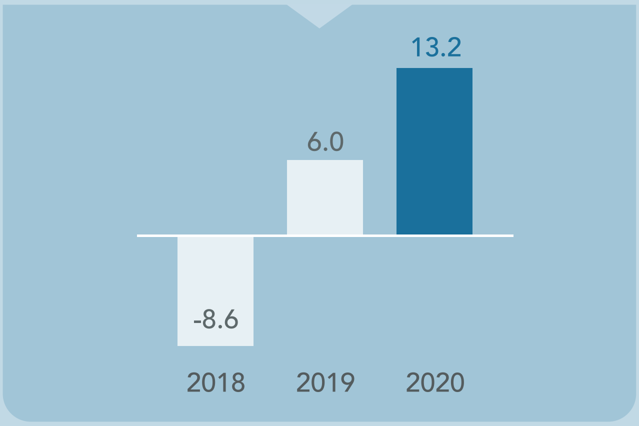
↑ 276%

Sale growth, scale benefits, cost management



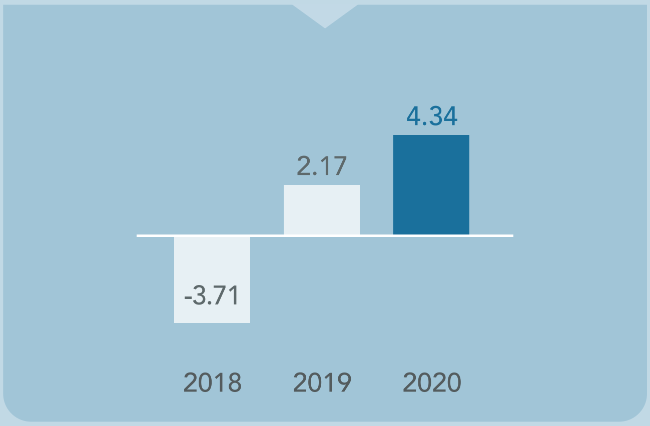
NPAT
↑ 119%

Strong contribution by Ananda Health



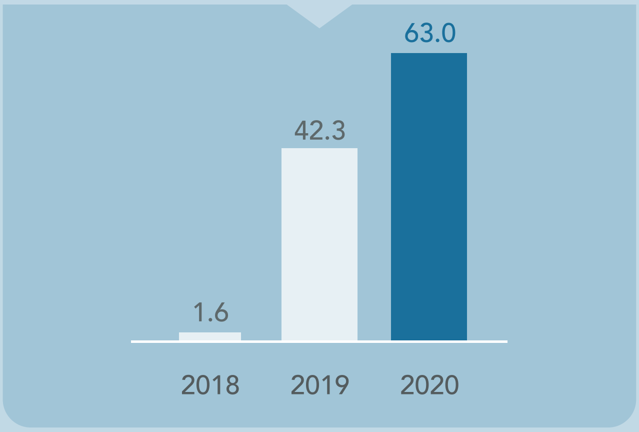
DILUTED EPS[1]
↑ 100%

Prioritising shareholder outcomes



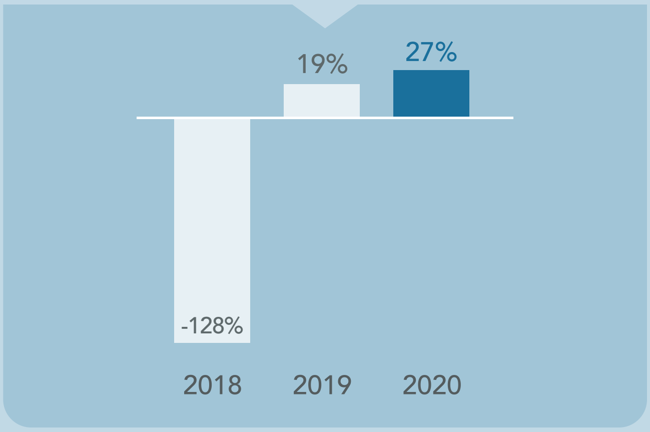
NET ASSETS
↑ 49%

Balance sheet strength



UNDERLYING EBITDA MARGIN
↑ 8%

Improved net margins



1 Diluted EPS for 2018 adjusted for 3:1 share split implemented on 6 February 2019

Financial Results

Ecofibre is pleased to announce a full year profit after tax of $13.2m in FY20, up from $6.0m in FY19. The result was driven by strong growth in revenues, an increase in gross margins reflecting the Company's investment in brand and quality infrastructure, and continued strong cost management.

Group revenue increased 42% to $50.7m (FY19: $35.6m) and the group's gross profit increased to $38.5m (FY19: $25.8m) which was underpinned by increasing gross margins (FY20: 76%, FY19: 72%).

Strong cost controls continue to be in place with operating expenses increasing at half the rate of the growth in revenue, up 21% to $27.5m (FY19: $22.7m).

After adjusting for one-off items in FY19 and FY20, including income tax credits, IPO costs, one-off government incentives and foreign exchange, the business' underlying EBITDA margin increased from 19% in FY19 to 27% in FY20.

The Company has a strong balance sheet, with $18.3m cash on hand and low debt.

Operating cash inflows for the year were $5.8m, cash investment outflows totalled $22.5m and financing cash inflows totalled $9.4m, including a $10.0m term loan.

Subsequent to the end of the year, Ecofibre raised $29.5m from institutional investors to fund the upfront cash component of the acquisition of TexInnovate and provide initial working capital for that business.

The major investments required to establish Ecofibre's three businesses are now largely complete, and fixed capital investment in the coming year is expected to be moderate.

Portfolio Overview

Ecofibre's operations are diversified by business line, geography and value chain.

Our three business lines in hemp-derived CBD, high-tech hemp-fibre applications and hemp foods operate independently in their markets, and are each expected to earn an appropriate, standalone return on invested capital.

- Ananda Health aims to be the preferred provider in the USA practitioner and pharmacy channels by providing federally legal, safe, high quality products.
- Hemp Black supplies sustainable and functional hemp materials, based on superior technical performance at a better price point delivered more sustainably. Our aim is to be the recognised leader in sustainable high-tech hemp applications.
- Ananda Food's business is focussed on the production and sale of hemp foods primarily in Australia. The business aims to be the leading hemp food supplier in Australia and Asia and help to supply the future demand for quality, safe plant-based proteins.

All our businesses have a common focus on health-oriented customers and channels, and all focus primarily on the US and Australian markets.

In 2020 we began to realise synergies from running the Company as an integrated portfolio. For example:

- Hemp Black distributes face masks to retail pharmacies under the Ananda Professional brand in the United States, and direct to consumers via anandahemp.com. From July 2020 Hemp Black is leveraging the resources of Ananda Food to distribute product in Australia.
- Ananda Food supplies hemp seed oil to Ananda Health as an input to the manufacture of nutraceuticals.
- Ananda Food, Hemp Black and Ananda Health have collaborated to develop a new range of nutraceuticals based on hemp-seed or hemp-fibre derived carbon for sale in US retail pharmacies.

anandafood

Each business also has strong capabilities and depth through its value chain:

- Ananda Health's vertically integrated supply chain, respected brand and management capability is a point of difference in the retail pharmacy market;
- Hemp Black's intellectual property and manufacturing know-how combine to produce unique products with attributes our customers value.; and
- Ananda Food's gene bank, agronomic experience, vertically integrated business and fully traceable food supply chain experience is difficult for competitors to replicate.

Overall, the retail pharmacy distribution capability of Ananda Health has become a key asset for the entire group, and diversification - and integration - of our business portfolio has emerged as a key strength.

HEMP BLACK

* pre-COVID (!)

FY20 RESULT

Revenue: **$46.8m**

Profit before Tax: **$20.8m**

anandahealth

Ananda Health's profit before tax increased by 63% during the year, from $12.7m in FY19 to $20.8m in FY20.

Our key brands - Ananda Hemp and Ananda Professional - target the health and wellbeing segment, including customers seeking help with sleep, anxiety or pain. We focus on well-regulated and reputable distribution channels and emphasise high quality research, training and advice.

The vast majority of revenue is derived from the US, which continues to be one of the world's largest markets for hemp-derived CBD.

We also export medicinal cannabis from the US to Australia. In February 2020 we commenced sale of two Ananda Hemp branded products to Australian patients via the Special Access Scheme (SAS) and Authorised Prescriber scheme.

US industry overview

The availability of hemp-derived CBD products has continued to increase in the US, even though the product is not yet widely adopted within the US healthcare system.

The general market remains oversupplied and competitive, with farmers growing too much during the 2019 northern summer, and product re-sellers and marketing companies subsequently competing on price rather than quality.

Many suppliers who have high operating costs, lack strong production or marketing capabilities, or who were not able to finance their operations, exited the industry during the year.

Some industry commentary suggests that hemp cropping in US may reduce by over 30% in the US 2020 summer growing season compared with the prior year, citing market conditions and difficulties related to the COVID-19 pandemic as contributing factors. Most of the US crop will continue to focus on CBD, however the proportion of the crop focussed on cannabinoid-rich varieties may decline from 90% in 2019 to 75% in 2020.[2]

Ananda Health continues to focus on things the business can control - quality, costs, pricing - and investing in long term relationships with customers and distributors.

2 https://hemptoday.net/contraction-in-u-s-fields-wont-necessarily-mean-higher-prices/

ananda hemp
ACTIVATED HEMP CHARCOAL
ananda hemp
COMPLETE PLANT PROTEIN
ananda hemp
60
CBD-RICH
SOFTGELS
ananda hemp
CBD-RICH
OIL
FULL SPECTRUM HEMP EXTRACT
2000 mg
Vegan • Non-GMO Natural Ingredients
ananda hemp
VEGAN OMEGA+
60 Softgels
ananda pets
FULL SPECTRUM HEMP EXTRACT
300
ananda hemp
30
CBD-RICH
SOFTGELS
FULL SPECTRUM HEMP EXTRACT
ananda hemp
CBD-RICH BODY ROLL-ON
FULL SPECTRUM HEMP EXTRACT
150 mg
ananda hemp
CBD-RICH SOFTGELS
FULL SPECTRUM HEMP EXTRACT
30 Softgels
ananda hemp
CBD-RICH OIL
BROAD SPECTRUM HEMP EXTRACT
THC FREE
600 mg

CVS win and distribution shift

Ananda Health is focussed on the retail pharmacy market, including both independent pharmacies and their distributors, and pharmacy chains.

The largest retail pharmacy in the US is CVS Pharmacy, with over 9,900 retail locations in 49 states.

In May 2020, Ecofibre announced that Ananda Health had secured an exclusive distribution agreement with CVS, under which a line of hemp-derived topical products are expected to be offered for sale from December 2020. Ananda Health will initially supply ten topical products for sale exclusively at select CVS Pharmacy locations. All products will be manufactured in Ecofibre's new facility in Georgetown, Kentucky.

The CVS tender process was rigorous and highly competed. In this segment, brand and trust are critically important, and securing this customer provides market validation for Ananda Health's ability to reliably deliver high quality product.

Most large retailers such as CVS are yet to carry ingestible hemp-derived CBD products. This may become a significant opportunity for Ananda Health once customer policies change.

In the broader retail pharmacy context, independent pharmacies are the innovators and early adopters, focussed on providing advice and trusted by their patients to help improve health outcomes. In the past Ananda Health supplied independent pharmacies directly through online or phone-based orders. Our strategy is now to progressively shift to a 'distributor-led' model, using the traditional wholesale channels already in place for other products stocked by independent pharmacies.

Ananda Health products are now distributed by two of the three largest pharmacy wholesalers in the US, Cardinal Healthcare and McKesson, together with multiple regional and specialist distributors.

The business has also developed significant data integration and warehousing capabilities to support regional distribution partners and Electronic Data Interchange (EDI) for large customers. This allows straight through processing of orders and integration with inventory management and accounting systems.

New Products and Brand Refresh

Ananda Hemp branding was also updated in June 2020 to enhance its professional, clinical look and allows the consumer to quickly identify what's in the bottle and what's not.

These updates align more closely with the features of the Ananda Professional line, so that both key Ananda Health brands now share a consistent look and feel and consumers can be assured of the brand's commitment to product quality, potency and transparency.

In both cases we retained the same trusted and high quality product formulations.

Research Studies

In November 2019 Ecofibre announced an ongoing program of research by Ananda Health to improve understanding of the benefits of CBD. These studies are intended to support regulators, doctors, medical practitioners and pharmacists who need credible data to make decisions about patient care.

The first study was an 8-week peer reviewed observational study on hemp-derived CBD and opioid reduction, published in the Journal Postgraduate Medical and Hospital Practice.[3]

In June 2020, Ananda Health commenced patient enrollment for a phase II clinical trial on chemotherapy induced peripheral neuropathy (CIPN) with the Lankenau Institute for Medical Research (LIMR).[4] The study has received an IND (investigational new drug) from the US Food and Drug Administration (FDA).

Ecofibre's third study is a phase II clinical trial that will evaluate moderate-dose CBD on agitation, sleep and mood in dementia patients. The moderate-dose study is currently pursuing its own FDA IND and expects to commence patient enrollment in August 2020.[5]

Over time Ananda Health expects these and similar studies will help shift prescriber and patient uptake of hemp-derived CBD in the US Healthcare system, and help shift the current market from 'early adopters' to 'early mass'.

1.

Opioid Reduction Study
Published November 2019

An 8-week study on Hemp Derived CBD was completed and recently published in the Journal Postgraduate Medical and Hospital Practice.

- First study on CBD and opioid reduction to identify key data points, and one of the largest studies of its kind.
- 97 patients who had been using opioids to treat chronic pain for at least a year completed the 8-week study.

94 patients added Ananda Hemp Full Spectrum CBD gel caps to their treatment regimen
Of those who added Ananda full spectrum extract:

- 53% reduced their use of opioids
- 94% reported improvements in quality of life indices, specifically sleep, pain and/or mood.
- Sleep and pain score improvements were statistically significant using two validated measurement instruments, the Pittsburgh Sleep Quality Index and the Pain Intensity and Interference Scale.
- Ananda Hemp was well tolerated and demonstrated an excellent safety profile.

Outside of survey studies, this was the largest study on the use of CBD to reduce the use of opioids in the treatment of chronic pain. It was also the first study on CBD and opioid reduction to identify key data points, such as hemp extract doses, delivery method, and specific cannabinoid content.

3 Details of the study are available at https://www.tandfonline.com/doi/full/10.1080/00325481.2019.1685298
4 Details of the study are available at https://clinicaltrials.gov/ct2/show/NCT04398446
5 Details of the study are available at https://clinicaltrials.gov/ct2/show/NCT04436081

2.

Coala-T-CBD Study™ for chemotherapy-induced peripheral neuropathy (CIPN)

Patient enrolment underway

The purpose of the study is to assess the efficacy of hemp-derived CBD on the severity and duration of CIPN among breast, colon, and ovarian cancer patients who received common types of neurotoxic chemotherapy.

CIPN, is a debilitating and often chronic condition that affects patients' quality of life and limits their ability to complete a full course of potentially life-saving treatments. Currently, there are no safe and effective medications to treat or prevent CIPN, but research in animals using CBD offers hope as a new treatment.

The Coala-T-CBD StudyTM is the first clinical trial positioned to translate this success to humans and is led by oncologist Dr. Marisa Weiss, the founder and chief medical officer of www.breastcancer.org and Director of Breast Radiation Oncology and Breast Health Outreach at Lankenau Medical Center.

The study is the first in the United States to study the impact of hemp-derived full spectrum CBD on CIPN, a condition that affects approximately 25-50% of pediatric and adult cancer patients undergoing neurotoxic chemotherapy.

To our knowledge is the first phase II clinical trial using full-spectrum hemp extract for the treatment of CIPN to receive an FDA IND.

The IND allows Dr Weiss' team to conduct the highest-quality research using a randomized, double-blind, placebo-controlled clinical trial.

3.

Effects of THC-Free CBD oil on agitation in patients with Alzheimer's Disease

Patient enrolment commencing

This is a randomized, double-blinded, placebo-controlled, crossover trial that aims to 1) determine the efficacy of THC-free cannabidiol (CBD oil) in reducing the severity of agitation among participants and 2) determine whether THC-free CBD oil can reduce the burden on caregivers and increase the participants' quality of life.

Individuals with Alzheimer's and other forms of dementia often go through a period of significant behavioral and psychological symptoms of dementia. It is estimated that up to 90% of persons with dementia experience behavior problems at some point. These behaviours can be challenging for both unpaid family caregivers as well as paid caregivers.

The study will be conducted by Hamid Okhravi, M.D., Eastern Virginia Medical School

Regulation

In the United States, hemp remains a federally legal agricultural commodity since enactment of the 2018 Farm Bill, and hemp and hemp products are no longer a controlled substance.[6] Hemp is regulated as an agricultural commodity by the US Department of Agriculture (including the FDA) rather than the US Justice Department (Drug Enforcement Agency, DEA).

The FDA has still only approved one cannabis-derived prescription medicine in the US for a limited indication; treatment of adults with moderate and severe spasticity due to multiple sclerosis.

On 25 November 2019, the US Food and Drug Administration ('FDA') announced that it had issued warning letters to 15 companies (Ecofibre was not one of the 15) for illegally selling products containing cannabidiol (CBD) in ways that violate the Federal Food, Drug, and Cosmetic Act (FD&C Act). Ecofibre continues to welcome the FDA's focus, and believes that the market for hemp-derived CBD can only benefit from considered regulation.

For Ananda Health, the safety and compliance of our products remains a key priority. Businesses that are not 100% compliant are potentially committing a felony and place their customers at risk. This is particularly important in the highly regulated pharmacy segment, which is regulated by state-based pharmacy boards, the FDA and also the DEA.

6 US Controlled Substances Act

FY20 RESULT

Revenue: **$2.4m**

Profit before Tax: -

Hemp Black began commercial operations in the fourth quarter of the year and delivered a breakeven profit result.

Since mid-2017, Ecofibre has worked with Thomas Jefferson University to develop a platform of intellectual property to sustainably deliver the natural anti-microbial and conductive properties of hemp into existing manufacturing supply chains for textiles, composites, coatings and paints, and other industries. To date the business has been granted 2 patents and there are 7 patent families pending.[7]

This R&D phase is now largely complete, and business focus has shifted to building brand, developing use cases for Hemp Black's technology, and leveraging existing and new customer relationships.

During the R&D phase, Hemp Black established a product design, product development, sustainability and supply chain team based in Philadelphia, Pennsylvania. Now that the business is in its commercial phase, these capabilities will be relocating to our new US Headquarters in Kentucky. Ecofibre's new corporate headquarters also serves as core infrastructure for production of Hemp Black inputs, as well as a display centre for its products.

During the year, the business re-prioritised a planned launch of athleisure-wear and re-purposed existing fabric to produce Personal Protection Equipment (PPE) in response to market needs.

Approximately 130,000 masks were produced late in the year, and the business is focussed on customers who value the anti-microbial properties and sustainability of the fabric, as well as 3D knitting quality and safety. In early FY21 the business also began producing neck gaiters as a more flexible alternative to facemasks.

TexInnovate has been instrumental in helping design, commission and operate the specialist equipment for the Hemp Black face mask. The recently announced acquisition of that business[8] provides the operational capability and know-how to deliver Hemp Black's intellectual property across different product markets and significantly increased scale.

TexInnovate comprises a group of five businesses based in North Carolina, USA that provide specialist, polymer-based yarns and fabrics to a range of customers.

[7] Patents are filed and owned by Thomas Jefferson University, and Ecofibre has exclusive, global rights to commercialise these technologies

[8] Announced to the ASX on 29 July 2020. Completion is subject to due diligence and is scheduled to occur on or about 1 September 2020.

Triad Polymers - best-in-class provider of performance masterbatch and custom compounding to the plastics industry for technical textiles, packaging and injection molding. Also one of the very few companies globally that can produce bi-component and tri-component polymer fibers

Trident Fibers - manufactures custom polymer-based yarns used for internal medical implants and applications

Fibex - premier synthetic yarn manufacturer for outdoor turfs for sports fields, playgrounds and other outdoor uses

Knitmasters - manufacturer of highly technical 2-D and 3-D knitted fabrics for a range of high performance uses

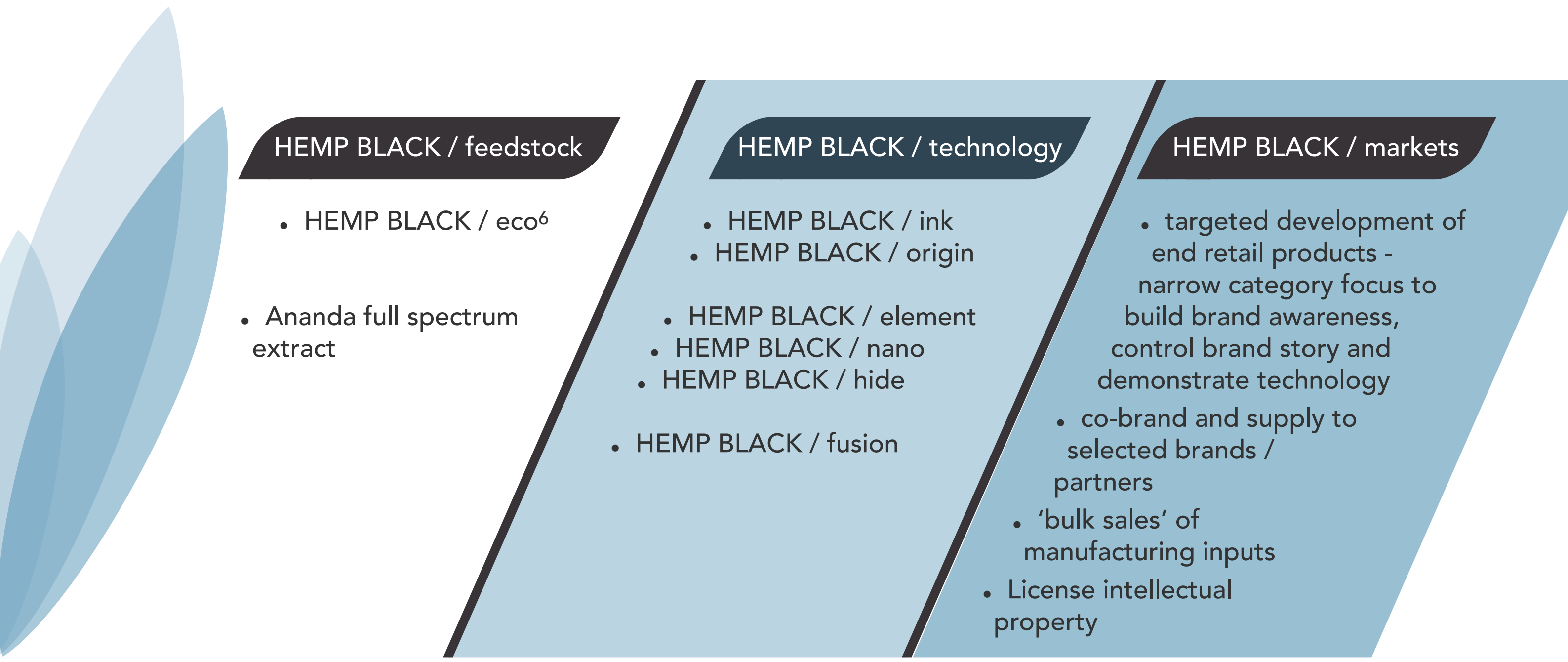
TexInnovate - designs and manufactures equipment for the four manufacturing business being acquired

Combined, the two businesses will have a full suite of capabilities, including intellectual property, processing know-how and capacity, branding and distribution.

Hemp Black has six technologies and core products which incorporate either Ananda full spectrum CBD hemp-extract or eco6, an environmentally friendly, non-toxic, organic black pigment produced by pyrolyzing the carbon-rich stalk of the hemp plant:

- Hemp Black / ink – carbon infused conductive water-based ink
- Hemp Black / origin - higher performance, conductive, carbon infused fibre engineered into the core of the fibre
- Hemp Black / element – Ananda full spectrum extract infused polymer fibre
- Hemp Black / hide – Ananda full spectrum extract vegan leather, produced using a 3rd party partner introduced by TexInnovate
- Hemp Black / fusion – combines eco6 and Ananda full spectrum extract with a performance fibre
- Hemp Black / nano – Ananda full spectrum extract nano-film electro-spun into nano fibres

Using these technologies, the business will have a number of potential go-to-market options to sustainably deliver the natural anti-microbial and conductive properties of hemp into existing manufacturing supply chains for textiles, composites, coatings and paints, and other industries.



Ananda Food

FY20 RESULT

Revenue: **$1.5m**

Loss before Tax: **$2.2m**

anandafood

Ananda Food incurred a loss before tax of $2.2m (FY19: $1.0m loss before tax).

The loss included a $0.5m write-down in the value of seed and intermediate products, and higher marketing costs. Overall, the business' path to scale and better margins has been slower than planned.

Ananda Food supplies 100% Australian hemp seed products that are rich in digestible protein, fibre, omega 3 and omega 6 oils. Products are sold to wholesalers and distributors, including bulk, white-label and branded products.

The business has a quality customer base for the long term, including:

- Woolworths Macro brand - Ananda Food has supplied de-hulled hemp seeds and protein powder since August 2019, and will begin to supply hemp seed oil from first quarter of FY21.
- IGA - group buying approval was obtained in December 2019, and the group is the preferred hemp food supplier to Ritchies network.

During the year Ananda Food's production facility in Beresfield, New South Wales, earned certification under the British Retail Consortium Global Standard (BRCGS) for food. The accreditation builds on the previously obtained Hazard Analysis and Critical Control Points (HACCP) certification and is one of the world's leading food safety certification standards.

Ecofibre has lodged a Plant Breeders Rights (PBR) application for a new variety, ECO-Excalibur, and data from a final trial conducted during the year has been accepted by IP Australia. The final description of ECO-Excalibur has been published[9], and we await the outcome of a standard 6-month public comment period, after which the PBR is expected to be granted.

Consumer education and the use of hemp in everyday staples continue to be the catalysts for the growth of this business. Consumers need a better awareness off the health benefits of hemp seed, and the use of hemp foods as a core ingredient highlighting its specific health and nutritional benefits. In particular, hemp is a superior source of plan-based protein. Hemp protein provides 24/mg iron / 100g - up to 4x more than soy protein.

Ananda Food is at an early stage of exploring the potential for bulk and white label distribution in Asian markets, where Australian-sourced foods enjoy a strong reputation for safety and quality. Peter Osborne, former Blackmore's managing director in Asia (2009 - 2020) has been appointed as a strategic advisor to review potential opportunities, which we will assess based on Ecofibre's ability to use existing manufacturing capabilities to access customers at a low marginal cost of distribution in scalable channels.

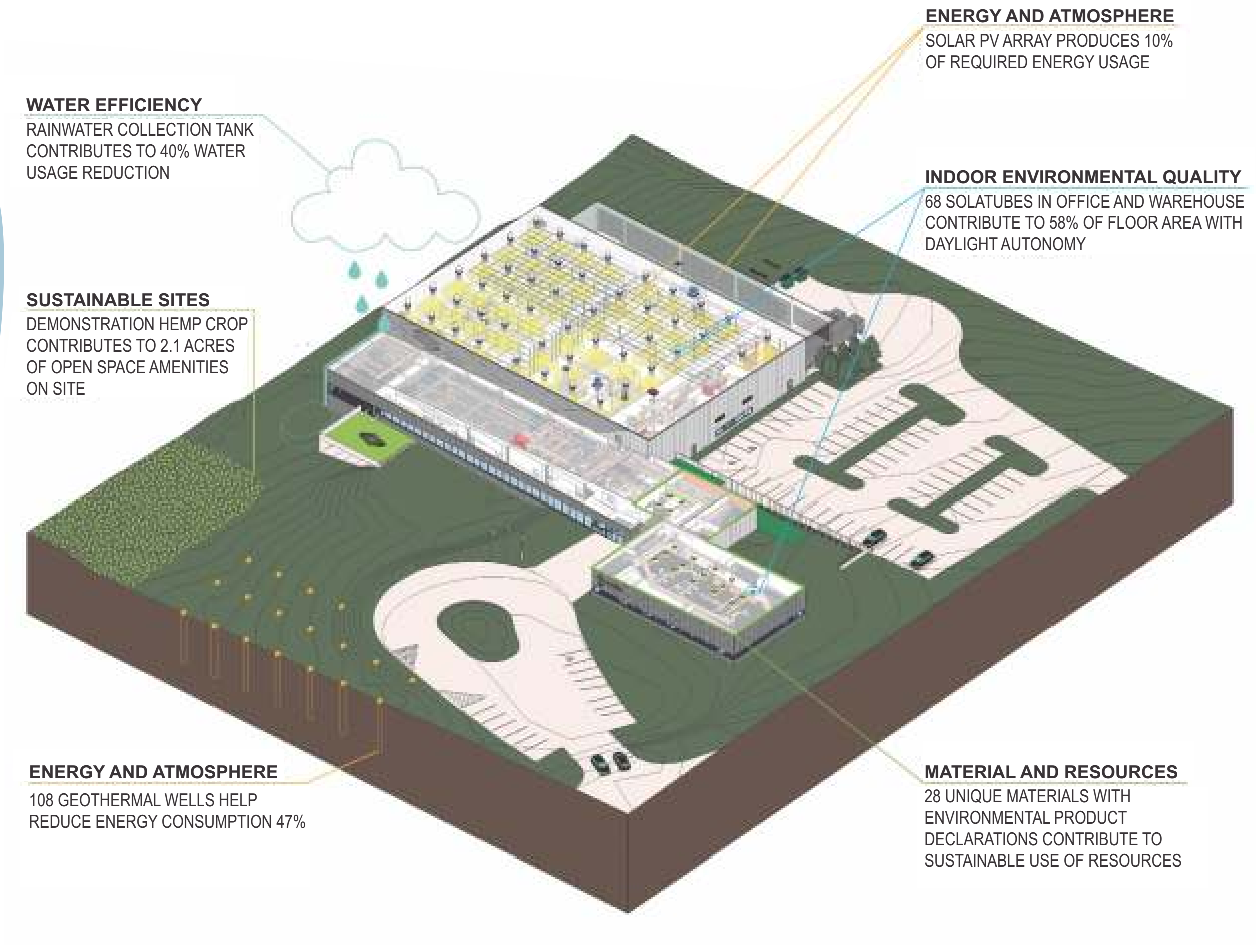
9 Plant Varieties Journal – Volume 33 Number 1

Kentucky Facility

Ecofibre officially opened its new US headquarters and production facility in Georgetown, Kentucky at an opening ceremony in May 2020.

Designed to meet the highest green building standards in the world, Ecofibre's US Headquarters is targeting the LEED Platinum certification from the US Green Building Council (USGBC), which we expect to be achieved later in 2020.

Once achieved, the facility will be one of only three in the United States and the seventh worldwide to achieve a LEED Platinum rating for its building type. The LEED rating system[10] considers impact in seven categories: Location and Transportation, Sustainable Sites, Water Efficiency, Energy and Atmosphere, Materials and Resources, Indoor Environmental Quality, and Innovation.



[10] Leadership in Energy and Environmental Design (LEED) is the most widely used green building rating system in the world. Available for virtually all building, community, and home project types, LEED provides a framework to create healthy, highly efficient, and cost-saving green buildings. LEED certification is a globally recognized symbol of sustainability achievement. See https://new.usgbc.org/leed

Incorporating Hemp Black's innovative and sustainable technologies, the facility utilises sustainable materials, green infrastructure, daylighting principles, geothermal heating and cooling, and solar panels for on-site renewable energy production, our new facility will reduce its energy demand and water consumption while providing a safe and healthy working environment.

Compared to similar traditionally built facilities, the new facility is designed to

- use 89% less water through water-efficient fixtures, rainwater collection, and the use of native vegetation; and
- reduce energy demand by 47% through usage optimization and on-site renewable energy generation

Sustainibility

Ecofibre's commitment to sustainability remains unchanged as we expand our business, and the Company will release its first Sustainability Report prior to the 2020 Annual General Meeting.

Business Systems

The maturity of Ecofibre's business systems and their underlying processes have continued to evolve in tandem with the evolution of the business.

In November 2019 Ecofibre implemented the Netsuite accounting and Enterprise Resource Planning platform across the group. The system is integrated with upstream and downstream systems to enable customer transactions, payment processing, inventory dispatch and other processes. During the year Ecofibre also consolidated its digital and e-commerce assets onto a single platform to facilitate an improved customer experience as well as to take advantage of contemporary security and compliance processes.

FINANCIAL REPORT 2020

Directors' 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 year ended 30 June 2020.

Directors

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

Barry Lambert
Jon Meadmore
Eric Wang

Principal activities

The principal continuing activities of the Group during the financial year were breeding, growing, processing and distributing hemp products.

Significant changes in the state of affairs

During the year, the Group issued 13,667,923 new shares, including final settlement of a convertible note (5,148,223 shares) and issue of shares to Thomas Jefferson University in relation to the Research and Share Subscription Agreement with that institution (7,147,561 shares). 1,372,139 shares vested and were issued from the Employee Share Trust pursuant to the Group's Employee Share Scheme.

The Group completed construction of its new US Headquarters and production facility in Georgetown, Kentucky.

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

Review of operations and results

The profit from ordinary activities for the Group after providing for income tax amounted to $13.2m (30 June 2019: $6.0m).

The net assets of the Group are $63.0m as at 30 June 2020 (2019: $42.3m).

The Ananda Health business continued to perform strongly. Revenue for the year totalled $47.0m (2019: $34.2m) although lower in the second half of the year (1H20: $29.0m; 2H20: $21.7m). Ananda Health has also started to supply a number of medium and large US distributors to acquire new customers and service existing customers. On 14 May, Ananda Health announced an exclusive distribution agreement with CVS for a range of topical products expected to commence in December 2020. The Group also began to import Ananda Health products from the United States into Australia.

On 25 November 2019, the US Food and Drug Administration ('FDA') announced that it had issued warning letters to 15 companies (Ecofibre was not one of the 15) for illegally selling products containing cannabidiol (CBD) in ways that violate the Federal Food, Drug, and Cosmetic Act (FD&C Act). Ecofibre has welcomed the FDA's focus on this market, and believes that the market will benefit from considered regulation in this new and forming industry.

Review of operations and results (continued)

Ananda Food secured Woolworths as a major customer, and is supplying de-hulled seed and protein powder under the Woolworths Macro brand. The business also secured group-level approval to supply IGA stores with Ananda Food branded product. Revenue for the year was $1.5m.

Commercial operations for the Hemp Black business commenced in the fourth quarter of the year following the manufacture and launch of anti-microbial facemasks. Revenue for the year was $2.4m.

Ecofibre's annual result included a very challenging final quarter which saw significant upheaval and uncertainty across multiple aspects of our supply chain and customers due to the onset of COVID-19 and civil disturbances in the US. The group made several adjustments to address the new economic environment in the US, including switching from the planned production of Athleisurewear to face masks.

No dividend was paid during the year (2019: Nil).

Matters subsequent to the end of the financial year

On 29 July 2020, Ecofibre entered into a conditional Asset Sale Agreement (ASA) to acquire a portfolio of businesses and assets of TexInnovate, a key manufacturing partner of Hemp Black based in North Carolina, USA. The portfolio includes five businesses that have deep technical expertise across a broad range of high-performance textile disciplines. The businesses work together as an integrated manufacturing platform and will help drive innovation and delivery for a range of products envisaged for Hemp Black.

The total potential consideration for the acquisition is approximately USD49.0m.

Consideration for the business and its operating assets is USD42.0m:
- At completion Ecofibre will pay USD21.0m (USD10.5m cash, and 5,924,926 shares also with an approximate value of USD10.5m).
- Contingent consideration with a value up to USD21.0m, payable in 3 equal tranches of USD7.0m each on the 3rd, 4th and 5th anniversaries after completion. Each tranche will comprise 50% cash and 50% shares. The contingent consideration is subject to the acquired businesses delivering USD6.0m earnings before interest and tax (EBIT) for two consecutive annual periods within five years of completion.

Consideration for real estate assets used by the business is estimated at USD7.0m and will be determined by independent market appraisal. The acquisition of the real estate will be settled in cash at completion.

Completion of the acquisition is subject to satisfactory due diligence by Ecofibre. The ASA contains warranties, indemnities, restraints of trade and other commercial and legal provisions that Ecofibre considers appropriate for the transaction. Ecofibre intends to employ all of TexInnovate's current staff at completion.

To fund the cash component payable at completion for the business, operating assets and real estate, 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. The share placement was completed and 11,800,000 new shares issued on 4 August 2020.

No other matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

Ananda Health is expected to commence supply to CVS in December 2020, and will focus on continuing to broaden its integrated distribution capability, and progressing Phase II clinical trials to assess the efficacy of hemp-derived CBD for chemotherapy-induced peripheral neuropathy, and agitation, sleep and mood in dementia patients.

Ananda Food will focus on marketing its range of hemp foods to wholesale customers and building the scale of its operations.

Hemp Black will focus on the integration of TexInnovate (assuming contract completion as planned), and securing new customers using the capabilities of both businesses.

Environmental regulation

The Group is subject to and compliant with all aspects of environmental regulations for its business activities. The directors are not aware of any environmental law that is not being complied with.

Information on directors

Name:	**Barry Lambert**
Title:	Non-Executive Chairman
Experience and expertise:	Barry founded ASX listed company, Count Limited, a financial services business, in 1980. Count was one of the largest independent advice providers in Australia and was acquired by Commonwealth Bank in 2011. Barry was also asked to serve as Chairman of Class Limited and subsequently took Class through to listing on the ASX. Barry also served as Chairman of ASX listed Count Plus. In 2017, Barry resigned as Chairman of Class Limited and Count Plus to focus on his role as Chairman of Ecofibre. In 2016 and 2017, Barry and Joy Lambert made significant donations to establish the Lambert Initiative at Sydney University and Lambert Center at Thomas Jefferson University, respectively. Both of these entities are focused on the research and education of medicinal cannabis and hemp.
Special responsibilities:	Member of the Audit, Risk and Compliance Committee

Name:	**Eric Wang**
Title:	Chief Executive Officer and Managing Director
Experience and expertise:	Eric joined Ecofibre as CFO and Director in December 2015. He was appointed CEO and Managing Director in December 2017. Eric has over 25 years of leadership and executive management experience, both as an officer in the United States Army and as a financial services executive in Australia. Prior to joining Ecofibre, Eric served as Captain and Apache pilot in the US Army for eight years in a range of roles, including Troop Commander, Operations Officer, Executive Officer and Personnel Officer in the United States and Europe. After leaving the military, Eric moved to Australia to work for the global management consulting firm, Bain & Company, where he specialized in the financial services industry in Australia and Asia. More recently, he served as the Chief Operating Officer of Perpetual Limited and Director of the APO for AMP Limited.
Special responsibilities:	None

Information on directors (continued)

Name:	**Jon Meadmore**
Title:	Non- Executive Director
Experience and expertise:	Jon is a Brisbane-based partner of law firm, Colin Biggers & Paisley. He is the joint leader of the corporate group, having practiced law for over 25 years. Jon holds a Bachelor of Business (Accounting) in addition to his law degree.
Special responsibilities:	Chairman of Audit, Risk and Compliance Committee

Company secretary

Jonathan Brown is the company's Chief Financial Officer and has held the role of Company Secretary since 18 June 2019. He is a Chartered Accountant with over 25 years of commercial experience. Jonathan has a Bachelor of Business (Accounting), a Graduate Diploma in Advanced Accounting, and a Graduate Diploma in Finance and Investment.

Prior to joining Ecofibre in 2016, Jonathan worked for AMP, the London Stock Exchange and Ferrier Hodgson in a variety of roles including corporate strategy, M&A, senior finance roles and insolvency & reconstruction.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Board		Audit, Risk and Compliance Committee	
Director	Attended	Held	Attended	Held
Barry Lambert	9	9	3	3
Eric Wang	9	9	3	3
Jon Meadmore	9	9	3	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also details the Company's Employee Share Scheme (ESS) available to all employees in the Group.

KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. Throughout this Remuneration report, the members of the executive KMP are collectively referred to as "executives".

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Additional disclosures relating to key management personnel
- Employee share scheme

Principles used to determine the nature and amount of remuneration

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests by:

- having total shareholder return as a core component of plan design;
- focusing on sustained growth in shareholder wealth, particularly growth in share price; and
- attracting and retaining high calibre executives.

Remuneration for executive and non-executive directors is structured separately.

Principles used to determine the nature and amount of remuneration (continued)

Non-executive director remuneration

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 8 December 2017, where the shareholders approved a maximum annual aggregate remuneration of $500,000.

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. Non-executive directors do not receive share options or other incentives.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework covers base pay, including superannuation, share-based payments, and other benefits such as health care. The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed periodically by the Board based on individual and business performance, the overall performance of the consolidated entity and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executives.

Long-term incentives (LTI) include share-based payments and any long service leave. Shares are awarded to executives from shares already held by the ESS in an Employee Share Trust (EST) once the executives meet time and performance based vesting hurdles.

Details of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors and CFO of Ecofibre Limited:

- Barry Lambert – Non-Executive Chairman
- Eric Wang – Managing Director and CEO
- Jon Meadmore – Non-Executive Director
- Jonathan Brown – CFO and Company Secretary

Details of remuneration (continued)

2020	Short-term benefits Cash salary and fees $'000	Post-employment benefits Super-annuation $'000	Share-based payments Equity-settled shares $'000	Total $'000
Non-Executive Directors:				
Barry Lambert (Chairman)	91	9	-	100
Jon Meadmore	90	-	-	90
Executive Director:				
Eric Wang	280	25	793	1,098
Other Key Management Personnel:				
Jonathan Brown	200	20	392	612
	661	54	1,185	1,900
2019				
Non-Executive Directors:				
Barry Lambert (Chairman)	91	9	-	100
Jon Meadmore	90	-	-	90
Executive Director:				
Eric Wang	280	25	1,222	1,527
Other Key Management Personnel:				
Jonathan Brown	200	20	606	826
	661	54	1,828	2,543

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - LTI 2020	At risk - LTI 2019
Non-Executive Directors:				
Barry Lambert (Chairman)	100%	100%	-	-
Jon Meadmore	100%	100%	-	-
Executive Directors:				
Eric Wang	28%	20%	72%	80%
Other Key Management Personnel:				
Jonathan Brown	36%	27%	64%	73%

Service agreements

Remuneration and other terms of employment for executives are formalised in service agreements. Details of these agreements are as follows:

Name:	**Eric Wang**
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	8 December 2017
Term of agreement:	No fixed term
Details:	Base salary of $280,000 per annum plus superannuation, to be reviewed every 12 months from the date of commencement. Either party may terminate the employment upon 6 months' written notice. No notice is required by the Company upon limited events akin to misconduct or incapacity. Mr Wang is subject to a restraint of trade restricting competition with the company for up to 24 months from termination of his employment.
LTI:	2,400,000 shares were issued on 28 December 2018 upon fulfillment of a time-based vesting hurdle. A further 7,200,000 shares are held by the ESS Trustee as potential LTI under the ESS and will vest in tranches upon satisfaction of the following share price hurdles and earliest vesting dates for each tranche:

Share tranches	Share Price Hurdle	Earliest Vesting Date
2,400,000	Share price on ASX of at least $1.50 based on a rolling 30 day volume weighted average price (VWAP) during the period between 1 January 2022 and 31 December 2024	30 June 2022
2,400,000	Share price on ASX of at least $1.83 based on a rolling 30 day VWAP during the period between 1 January 2023 and 31 December 2024	30 June 2023
2,400,000	Share price on ASX of at least $2.17 based on a rolling 30 day VWAP during the period between 1 January 2024 and 31 December 2024	30 June 2024

Service agreements (continued)

Name:	**Jonathan Brown**
Title:	CFO and Company Secretary
Agreement commenced:	8 December 2017
Term of agreement:	No fixed term
Details:	Base salary of $200,000 per annum plus superannuation, to be reviewed every 12 months from the date of commencement. Either party may terminate the employment upon 3 months' written notice. No notice is required by the Company upon limited events akin to misconduct or incapacity. Mr Brown is subject to a restraint of trade restricting competition with the company for up to 24 months from termination of his employment.
LTI:	1,200,000 shares were issued on 28 December 2018 upon fulfillment of a time-based vesting hurdle. A further 2,400,000 shares are held by the ESS Trustee as potential LTI under the ESS and will vest in tranches upon satisfaction of the following share price hurdles and earliest vesting dates for each tranche

Share tranches	Share Price Hurdle	Earliest Vesting Date
799,998	Share price on ASX of at least $1.50 based on a rolling 30 day VWAP during the period between 1 January 2020 and 31 December 2024	31 July 2020
800,001	Share price on ASX of at least $1.83 based on a rolling 30 day VWAP during the period between 1 January 2022 and 31 December 2024	31 July 2022
800,001	Share price on ASX of at least $2.17 based on a rolling 30 day VWAP during the period between 1 January 2024 and 31 December 2024	31 July 2024

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Ordinary shares				
Barry Lambert	72,857,736	5,148,223	(2,000,000)	76,005,959
Jon Meadmore	538,000	-	-	538,000
Eric Wang	13,301,253	-	-	13,301,253
Jonathan Brown	2,502,246	-	(205,000)	2,297,246
	89,199,235	5,148,223	(2,205,000)	92,142,458

Employee share scheme

The Board believes that all employees should be given the opportunity to become shareholders in our business, and that the share scheme helps engage, retain and motivate employees over the long term. Ecofibre's share scheme is therefore part of its standard remuneration practice, to encourage alignment with the performance of the Group.

The employee share scheme is an LTI designed to help the Group attract and retain the best staff as we deliver our long-term strategy. These shares will be issued to employees from shares already held by the (EST) if employees meet time-based, performance based or time and performance based, vesting hurdles. The time-based hurdles are 1, 2, 3 or 4 years, typically depending on the seniority of the employee.

Key terms of the ESS are:

How is it paid?	Employees are eligible to receive shares if they meet certain time-based, performance-based or time and performance-based vesting hurdles.
How can employees earn and how is performance measured?	Different vesting conditions are offered to various employees. The conditions include: a. Share price hurdles – earned when share price exceeds a certain level on a 30 days volume weighted average price (VWAP) basis within a certain period. b. Profit-based hurdles – earned when Group or business unit profitability achieve target levels. c. Sales target hurdle– earned when achieving certain sales, gross margin or volume targets. d. Time-based hurdles – earned when employee remains with the Group within 1 to 4 years.
When is performance measured?	The performance measures are tested at the date specific in each offer document.
What happens if an employee leaves?	If an employee resigns or is terminated for cause, any unvested LTI under the ESS are forfeited, unless otherwise determined by the Board. If an employee ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the employee may receive a pro-rata number of unvested shares based on achievement of the vesting conditions over the performance period up to the date of ceasing employment (subject to Board discretion).

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Ecofibre Limited under option at the date of this report are as follows:

Option holder	Grant date	Expiry date	Exercise price	Number under option
Thomas Jefferson University	1 July 2017	31 Dec 2022	$0.537	7,964,581

* During the year, Ecofibre and TJU agreed to amend their agreement and the original grant value of TJU's options was revised down from US$5.0m to US$3.3m. This resulted in a reduction of the number of outstanding options from 12,178,260 options to 7,964,581 options.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

None of the options granted are exercisable at 30 June 2020.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the full details of the cover and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not party to any such proceedings during the year.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Rounding of amounts

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

Auditor's independence declaration

The auditor's independence declaration has been received and can be found on page 44 of the annual report.

Auditor

William Buck (Qld) continues in office in accordance with section 327 of the Corporations Act 2001.

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

21 August 2020
Sydney

Eric Wang
Director

21 August 2020
Lexington

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ECOFIBRE LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2020 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck (Qld)
ABN 21 559 713 106

Junaide Latif
Director

Brisbane: 21 August 2020

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Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Barry Lambert
Director

21 August 2020
Sydney

Consolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue	4(a)	50,717	35,605
Direct costs	5(a)	(12,255)	(9,833)
Gross profit		38,462	25,772
Other income	4(b)	6,482	1,864
Other operating expenses	5(b)	(27,549)	(22,679)
Interest expense		(144)	(372)
Profit before income tax		17,251	4,585
Income tax (expense)/ benefit	6	(4,095)	1,415
Profit after income tax attributable to the members of the company		13,156	6,000
Earnings per share:			
Basic earnings per share - cents		4.43	2.28
Diluted earnings per share - cents		4.34	2.17

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

Consolidated Statement of Other Comprehensive Income

For the year ended 30 June 2020

	2020 $'000	2019 $'000
Profit after income tax attributable to the members of the company	13,156	6,000
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign controlled entities	(425)	391
Total comprehensive income for the year attributable to the members of the company	12,731	6,391

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

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 $'000	2019 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	18,252	25,740
Trade and other receivables	8	9,442	2,808
Inventories	9	10,014	6,573
Biological assets	10	2,321	2,405
Other current assets	11	5,434	969
Tax recoverable		-	251
TOTAL CURRENT ASSETS		45,463	38,746
NON-CURRENT ASSETS			
Intangible assets	12	659	340
Right-of-use assets	13	1,047	-
Property, plant and equipment	14	34,634	6,655
Deferred tax assets	15	2,492	2,034
TOTAL NON-CURRENT ASSETS		38,832	9,029
TOTAL ASSETS		84,295	47,775
CURRENT LIABILITIES			
Trade and other payables	16	9,381	3,740
Related party loans	17	-	1,340
Lease liabilities	13	491	-
Tax payable		829	-
TOTAL CURRENT LIABILITIES		10,701	5,080
NON-CURRENT LIABILITIES			
Lease liabilities	13	593	-
Related party loans	17	10,000	-
Deferred tax liability	18	-	392
TOTAL NON-CURRENT LIABILITIES		10,593	392
TOTAL LIABILITIES		21,294	5,472
NET ASSETS		63,001	42,303
EQUITY			
Issued capital	20	62,376	56,189
Foreign currency translation reserve		(175)	250
Accumulated losses		(4,348)	(17,504)
Convertible loan reserve		-	139
Share-based payment reserve	29	5,148	3,229
TOTAL EQUITY		63,001	42,303

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

Consolidated	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 2018		22,536	2,145	524	(141)	(23,504)	1,560
Total comprehensive income for the year		-	-	-	391	6,000	6,391
Shares issued	20	27,323	-	-	-	-	27,323
Share issue cost	20	(207)	-	-	-	-	(207)
Share-based payments	20	2,687	1,084	-	-	-	3,771
Convertible loan conversion to shares	20	3,850	-	(385)	-	-	3,465
Balance 30 June 2019		56,189	3,229	139	250	(17,504)	42,303
Total comprehensive income for the year		-	-	-	(425)	13,156	12,731
Shares issued	20	3,836	-	-	-	-	3,836
Share-based payments	20	918	1,919	-	-	-	2,837
Convertible loan conversion to shares	20	1,433	-	(139)	-	-	1,294
Balance 30 June 2020		62,376	5,148	-	(175)	(4,348)	63,001

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		42,954	33,835
Government grants		1,691	1,476
Payments to suppliers and employees		(34,917)	(32,013)
Interest received		274	111
Interest paid		(189)	(493)
Income tax paid		(4,004)	(479)
Net cash flows generated from operating activities	24	5,809	2,437
Cash flows from investing activities			
Payments for property, plant and equipment		(22,605)	(4,833)
Payments for intangible assets		-	(340)
Receipt from sale of property, plant and equipment		203	238
Other		(126)	248
Net cash flows used in investing activities		(22,528)	(4,687)
Cash flows from financing activities			
Repayment of borrowings		-	(1,173)
Proceeds from borrowings		10,000	-
Repayment of lease liabilities		(598)	-
Proceeds from issue of shares		-	27,323
Transaction costs related to issues of shares		-	(1,040)
Net cash flows generated from financing activities		9,402	25,110
Net (decrease)/ increase in cash and cash equivalents held		(7,317)	22,860
Cash and cash equivalents at the beginning of the financial year		25,740	2,756
Effect of movement in exchange rates on cash held		(171)	124
Cash and cash equivalents at the end of the financial year		18,252	25,740

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

Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

Ecofibre Limited ('the Company' or 'Ecofibre') is a for profit company limited by shares incorporated in Australia. The nature of the operations and principal activities of the Group are described in the Directors' Report.

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 16 Leases
The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption at 1 July 2019 is set out in Note 13.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

1. Summary of significant accounting policies (continued)

New or amended Accounting Standards and Interpretations adopted (continued)

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets, financial liabilities and biological assets for which fair value basis of accounting has been applied.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars in accordance with ASIC Corporation Instrument 2016/191 unless otherwise stated.

a) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

1. Summary of significant accounting policies (continued)

b) Principles of consolidation

The consolidated financial statements incorporate the results and assets and liabilities of all entities controlled by Ecofibre Limited ("parent entity") as at 30 June 2020 and results of all controlled entities for the year then ended. The parent entity and its controlled entities together are referred to in the financial statements as "the consolidated entity" or "the Group". Subsidiaries are all those entities over which the parent entity has control. The parent entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the parent entity.

Where controlled entities have entered the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

c) Foreign currency translation

The financial statements are presented in Australian dollars, which is Ecofibre's functional and presentation currency.

Foreign currency transactions and balances
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair value was determined.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss or statement of other comprehensive income.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

1. Summary of significant accounting policies (continued)

d) Revenue recognition

The consolidated entity recognised revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales rebates, returns and trade discounts.

Bill-and-hold arrangements
Bill-and-hold arrangements occur when there is a sale to a customer and the customer requests the consolidated entity to warehouse its products for a period of time until it can accept delivery or arrange transfer of the products to third parties. Revenue from bill-and-hold arrangements is recognised when the customer obtains title and acknowledges control of a product.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

1. Summary of significant accounting policies (continued)

e) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

A charge for current income tax expense is recognised based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted throughout the reporting period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company and consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

f) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up at the date of acquisition plus incidental costs directly attributable to the acquisition.

1. Summary of significant accounting policies (continued)

g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

h) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 60 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

i) Inventories

Inventories and agricultural produce are valued at the lower of cost and net realisable value on an average cost basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

j) Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell.

1. Summary of significant accounting policies (continued)

k) Impairment of assets

At the end of each reporting period, the company and consolidated entity review the carrying values of their tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

l) Property, plant and equipment

Plant and equipment
Plant and equipment is measured on the cost basis less accumulated depreciation and impairment losses.

The carrying value of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their net present values in determining recoverable amounts.

Depreciation
Depreciation is calculated on the basis of writing off the net cost of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives vary from 3 to 7 years.

m) Financial instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt, less principal repayments and amortisation.

1. Summary of significant accounting policies (continued)

m) Financial instruments (continued)

Impairment
At the end of each reporting period, the consolidated entity recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instruments' credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Impairment losses are recognised in the statement of profit or loss.

Convertible notes
The debt and equity components of the convertible loan is separately recognised. At the date of recognition of the convertible loan, the debt component of the facility is determined and recorded at fair value. The remainder of the proceeds are allocated to the equity component as a convertible note reserve.

n) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

o) Employee entitlements

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave, expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured on the basis of when the benefit is expected to be settled.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

1. Summary of significant accounting policies (continued)

o) Employee entitlements (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

p) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

1. Summary of significant accounting policies (continued)

q) Goods and service tax, sales and use tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) and sales and use tax (SUT) except where the amount of GST or SUT incurred is not recoverable. In these circumstances the GST or SUT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST or SUT included. The net amount of GST or SUT recoverable or payable is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST or SUT components of cash flows arising from investing and financing activities which are recoverable or payable are classified as operating cash flows.

r) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either in the principal market or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

s) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Ecofibre Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. Summary of significant accounting policies (continued)

t) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity has assessed the impact of these new or amended Accounting Standards and Interpretations, and concluded that they would not have any material impact.

2. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of inventories
The provision for impairment of inventories requires a degree of estimation and judgement. The level of the provision is assessed by taking into account recent and expected future sales experience, production requirements, the age of inventories and other factors that affect inventory obsolescence.

Taxation
There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were actually recorded, such differences will impact the current and deferred tax positions in the period in which such determination is made.

Biological assets
Biological assets, in the form of planted hemp crops, are accounted for under AASB 141 Agriculture, which requires that the assets be measured at fair value less costs to sell. Fair value is determined using a range of judgemental assumptions including cost per area (acre or hectare), total area planted and percentage of maturity of the crops based on estimated harvest dates.

3. 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 the 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	Development of innovative hemp related fibre products for sale in the United States, Australia and globally; and
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.

3. Operating segments (continued)

Operating segment information

a) Segment performance

Consolidated - 2020	Ananda Health $'000	Ananda Food $'000	Hemp Black $'000	Ecofibre Corporate $'000	Total $'000
Revenue					
Sales to external customers	46,819	1,469	2,429	-	50,717
Intersegment sales	213	327	-	-	540
Total sales revenue	47,032	1,796	2,429	-	51,257
R&D tax rebate	-	-	-	-	-
Interest income	22	-	-	235	257
Other income	1,824	371	-	4,030	6,225
Total segment revenue	48,878	2,167	2,429	4,265	57,739
Total expenses	(27,950)	(4,225)	(2,420)	(5,353)	(39,948)
Intersegment purchases	(100)	(141)	-	-	(241)
Segment profit/ (loss) before income tax	20,828	(2,199)	9	(1,088)	17,550
Intersegment eliminations					(299)
Profit before income tax					17,251

Consolidated - 2019	Ananda Health $'000	Ananda Food $'000	Hemp Black $'000	Ecofibre Corporate $'000	Total $'000
Revenue					
Sales to external customers	34,241	1,364	-	-	35,605
Intersegment sales	-	111	-	-	111
Total sales revenue	34,241	1,475	-	-	35,716
R&D tax rebate	-	-	-	1,476	1,476
Interest income	33	-	-	116	149
Other income	109	146	15	(31)	239
Total segment revenue	34,383	1,621	15	1,561	37,580
Total expenses	(21,639)	(2,557)	(2,692)	(5,996)	(32,884)
Intersegment purchases	-	(38)	-	-	(38)
Segment profit/ (loss) before income tax	12,744	(974)	(2,677)	(4,435)	4,658
Intersegment eliminations					(73)
Profit before income tax					4,585

3. Operating segments (continued)

b) Segment assets and liabilities

Consolidated - 2020	Ananda Health $'000	Ananda Food $'000	Hemp Black $'000	Ecofibre Corporate $'000	Total $'000
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
Consolidated - 2019					
Assets					
Segment assets	12,501	4,818	2,221	2,495	22,035
Unallocated assets:					
Cash and cash equivalents					25,740
Total assets					47,775
Liabilities					
Segment liabilities	2,184	931	24	993	4,132
Unallocated liabilities:					
Related party loans					1,340
Total liabilities					5,472

4. Revenue and other income

	2020 $'000	2019 $'000
a) Revenue		
Sales	50,717	35,605
b) Other income		
Government grant and tax incentives *^	1,876	1,476
Foreign exchange gain	3,925	11
Interest	257	149
Other income	424	228
	6,482	1,864

* Included in FY2019 is the Research and Development Tax Incentive received for eligible R&D expenses.
^ Current year income includes a US Paycheck Protection Program (PPP) forgivable loan ($1.6m) and other government grants due to COVID-19.

5. Expenses

	2020 $'000	2019 $'000
a) Direct costs		
Costs of goods sold	12,009	9,801
Write down of inventory	368	32
Reversal of inventory provision	(122)	-
	12,255	9,833
b) Other operating expenses		
Employees and contractors	12,008	10,537
Share based payments (note 29)	2,705	3,752
Sales and marketing	2,874	1,645
Travel and accommodation	676	671
Equipment modification and maintenance	360	422
Rent	266	702
Legal fees and compliance	959	1,756
Accounting and audit	391	233
Depreciation and amortisation	2,049	958
Research and trials	2,296	384
Bad and doubtful debts	1,049	44
Other	1,916	1,575
	27,549	22,679

6. Income tax

a) The aggregated amount of income tax attributable to the financial year differs from the amount calculation on the operating profit. The difference is reconciled as follows:

Profit/ (loss) before income tax	17,251	4,585
Prima facie tax/ (tax benefit) on profit/ (loss) from ordinary activities before income tax at 30% (2019: 27.5%)	5,175	1,261
Adjustment for foreign tax rates	(546)	29
Tax effect of permanent differences:		
- Share based payments	(1)	180
- R & D tax rebate received	(205)	(406)
- Research and development expenses	159	233
- COVID-19 government assistance	(15)	-
- Foreign income taxes	28	-
- Other	76	131
Change in opening deferred taxes resulting from change in tax rate	(230)	-
Currency conversion differences upon consolidation	(98)	59
Recognition of deferred tax with respect to prior year tax losses	-	(751)
Tax losses utilised	-	(908)
Tax over provided in prior period	(248)	-
Timing differences not previously recognised	-	(1,276)
Other	-	33
Income tax benefit/ (expense)	4,095	(1,415)

7. Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank	4,117	2,305
Call deposits	2,912	859
Term deposits and other cash equivalents	11,223	22,576
	18,252	25,740

8. Trade and other receivables

Trade debtors	9,610	2,737
Allowance for expected credit losses	(355)	(152)
GST receivable	187	223
	9,442	2,808

Allowance for expected credit losses

The consolidated entity has recognised a loss of $1,049,000 in the profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic.

Movement in the allowance for expected credit losses are as follows:

	2020 $'000	2019 $'000
Opening balance	152	105
Additional provisions recognised	1,049	47
Receivables written off during the year as uncollectable	(846)	-
Unused amounts reversed	-	-
Closing balance	355	152

9. Inventories

Finished goods	1,278	682
Work in progress	5,788	4,075
Raw materials	2,948	1,816
	10,014	6,573

10. Biological assets

Crops planted	2,321	2,405

The risk of crop failure due to weather conditions is managed through planting at different locations. Reconciliation of biological assets:

	$'000
Crops planted at 1 July 2019	2,405
Harvested and transferred to raw material inventory	(2,405)
Crops planted (2020 season)	2,825
Harvested and transferred to raw material inventory	(504)
Balance at 30 June 2020	2,321

11. Other current assets

	2020 $'000	2019 $'000
Prepayments	4,845	920
Loan receivable	173	49
Other	416	-
	5,434	969

12. Intangible assets

	2020 $'000	2019 $'000
Patents and trademarks – at cost	501	340
Less: Accumulated amortisation	(2)	-
	499	340
Software – at cost	209	-
Less: Accumulated amortisation	(57)	-
	152	-
Work in progress – at cost	8	-
Total intangible assets	718	340
Less: accumulated amortisation	(59)	-
	659	340

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	Patents and trademarks $'000	Software $'000	Total $'000
Balance at 1 July 2018	-	340	-	340
Balance at 1 July 2019	-	340	-	340
Additions	8	161	209	378
Amortisation	-	(2)	(57)	(59)
Balance at 30 June 2020	8	499	152	659

13. Leases

The Group leases warehouse, factory and administrative facilities. The leases typically run for a period of 3 to 4 years with some leases having the option to renew the lease after that date. Lease terms are renegotiated upon expiry of each lease to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Previously, these leases were classified as operating leases under AASB 117, but are now accounted for pursuant to AASB 16.

The Group leases office equipment with contract terms of 5 years. These leases are for low-value items, and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application was 7.5%.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as below:

	Buildings	Farming and processing equipment	Total
2020	$'000	$'000	$'000
Balance at 1 July 2019	1,440	-	1,440
Additions to right-of-use assets	194	24	218
Depreciation charge for the year	(635)	(5)	(640)
Exchange difference	29	-	29
Balance at 30 June 2020	1,028	19	1,047

ii) Lease liabilities

The measurement principles of AASB 16 are only applied from 1 July 2019. At the date of initial application, the right-use-assets equals to the lease liabilities and there was no adjustment to the retained earnings. The lease liabilities are presented as below:

	Total
	$'000
Operating lease commitments disclosed as at 30 June 2019	1,315
Changes to extension options assumptions and discounting using the lessee's Incremental borrowing rate at the date of initial application	125
Balance at 1 July 2019	1,440
New leases during the period	218
Payments	(689)
Interest charges during the period	91
Exchange difference	24
Balance at 30 June 2020	1,084

Lease liability recognised as at 30 June 2020 of which are:	
Current lease liabilities	491
Non-current lease liabilities	593
	1,084

13. Leases (continued)

iii) Amounts recognised in profit or loss

	Total $'000
30 June 2020 – Leases under AASB16	
Interest on lease liabilities	91
Depreciation charge	640
30 June 2019 – Leases under AASB 117	
Rental expense	676

iv) Amounts recognised in statement of cash flows

Cash outflow for leases:	
Financing cash outflow	598
Operating cash outflow	91

v) Extension options

Some property leases contain extension options exercisable by the Group up to 2 years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses where it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

14. Property, plant and equipment

	2020 $'000	2019 $'000
Capital work in progress	3,729	2,795
Land	297	-
Building	24,318	-
Less: accumulated depreciation	(51)	-
	24,267	-
Motor vehicles	514	159
Less: accumulated depreciation	(87)	(79)
	427	80
Office equipment	1,293	124
Less: accumulated depreciation	(217)	(104)
	1,076	20
Plant and machinery	7,141	4,976
Less: accumulated depreciation	(2,303)	(1,216)
	4,838	3,760
Total property, plant and equipment	37,292	8,054
Less: accumulated depreciation	(2,658)	(1,399)
	34,634	6,655

	Capital WIP $'000	Land $'000	Building $'000	Motor vehicles $'000	Office equipment $'000	Plant and machinery $'000	Total $'000
2020 Movement Schedule							
Carrying value 1 July 2019	2,795	-	-	80	20	3,760	6,655
Additions	1,844	297	23,715	370	1,172	1,996	29,394
Transfer	(903)	-	603	31	-	269	-
Disposals		-	-	(19)	-	(97)	(116)
Depreciation		-	(51)	(39)	(113)	(1,147)	(1,350)
Exchange difference	(7)	-	-	4	(3)	57	51
Carrying value 30 June 2020	3,729	297	24,267	427	1,076	4,838	34,634
2019 Movement Schedule							
Carrying value 1 July 2018	767	-	-	166	1	1,780	2,714
Additions	2,795	-	-	-	80	2,102	4,976
Transfer	(767)	-	-	-	-	767	-
Disposals	-	-	-	(60)	-	(18)	(78)
Depreciation	-	-	-	(26)	(61)	(871)	(958)
Carrying value 30 June 2019	2,795	-	-	80	20	3,760	6,655

	2020 $'000	2019 $'000

15. Deferred tax assets

	2020 $'000	2019 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	(1,058)	74
Inventory	(28)	33
Accrued expenses	2,340	449
Allowance for expected credit losses	49	42
Blackhole expenditure	211	166
Employee share transactions	1,134	440
Prepayments	(90)	-
Other	(66)	-
Carried forward losses	-	751
	2,492	1,955
Amounts recognised in equity:		
Transaction costs on share issue	-	79
Deferred tax asset	2,492	2,034
Movements:		
Opening balance	2,034	-
Credited to profit or loss	458	1,955
Credited to equity	-	79
Closing balance	2,492	2,034

16. Trade and other payables

	2020 $'000	2019 $'000
Trade creditors	1,029	799
Employee entitlements	487	402
Other creditors and accruals	7,865	2,539
	9,381	3,740

17. Related party loans

	2020 $'000	2019 $'000
Current		
Convertible loan – Lambert Superannuation Fund *	-	1,340
Non-current		
Term loan ^	10,000,000	-

* The convertible loan was payable to Lambert Superannuation Fund (a related party of Barry Lambert). In the current year, the remaining balance of the convertible loan was converted into 5,148,223 shares in Ecofibre Limited in September 2019 at $0.257 per share.

^ 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 term 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.

18. Deferred tax liability

	2020 $'000	2019 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	-	517
Accrued expenses	-	(125)
Deferred tax liability	-	392
Movements:		
Opening balance	392	-
(Credited)/ debited to profit or loss	(392)	392
Closing balance	-	392

19. 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 EST 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 – pre split	(1,356,449)
Balance pre share split	5,999,210
Share split – 3:1	11,998,420
Shares issued by the EST to employees as part of the ESS – post split	(599,957)
Balance as at 30 June 2019	17,397,673
Shares issued by the EST to employees as part of the ESS	(1,372,139)
Balance as at 30 June 2020	16,025,534

20. Issued Capital

	2020 $'000	2019 $'000	2020 Quantity	2019 Quantity
Ordinary shares	62,376	56,189	305,619,401	291,951,478
Movement in ordinary shares				
Opening balance 1 July	56,189	22,536	291,951,478	80,195,441
Shares issued at $1.61 per share	-	3,127	-	1,942,582
Shares issued at $1.95 per share	-	4,196	-	2,151,630
First conversion of convertible loan	-	1,941	-	2,425,000
Shares issued as part of the ESS	-	2,229	-	1,383,422
Total	56,189	34,029	291,951,478	88,098,075
Share split 3:1	-	-	-	176,196,150
Shares issued from initial public offering at $1.00 per share	-	20,000	-	20,000,000
Shares issued at $0.537 per share	3,836	-	7,147,561	-
Conversion of convertible loan	1,433	1,909	5,148,223	7,057,296
Shares issued as part of the ESS	918	458	1,372,139	599,957
Share issue cost	-	(207)	-	-
Closing balance 30 June	62,376	56,189	305,619,401	291,951,478

321,644,935 total shares are on issue by the parent entity, which includes 305,619,401 consolidated shares on issue plus shares held by the EST (16,025,534) 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 2018	22,536
Shares issued	27,323
Share based payment: shares issued as part of the ESS	2,687
Convertible loan conversion to shares	3,850
Share issue cost	(207)
Balance at 30 June 2019	56,189
Shares issued	3,836
Share based payment: shares issued as part of the ESS	918
Convertible loan conversion to shares	1,433
Balance at 30 June 2020	62,376

21. Remuneration of auditors

	2020 $'000	2019 $'000
Amount received or due and receivable by the auditors of the company in respect of services to the group:		
- Annual audit	110	100
- Half year review	25	20
Audit and review of financial statements	135	120
- Tax advisory	52	18
- Initial Public Offering - Investigating Accountant	-	67
- Initial Public Offering - Tax Due Diligence	-	29
- Accounting assistance	14	20
Other services	66	134

22. Contingent liabilities and commitments

There are no contingent liabilities

Commitment for non-cancellable leases are as follows:

	2020 $'000	2019 $'000
Less than one year	34	705
Between one and five years	9	610
	43	1,315
Capital expenditure commitments not provided for in the financial statements	69	4,945

23. 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 2020 %	2019 %
Ecofibre Services Pty Ltd (ES)	Australia	100%	100%
Ananda Food Pty Ltd (AF) (formerly Hemp Australia Pty Ltd)	Australia	100%	100%
Ecofibre Holdings Pty Ltd (EOFH)	Australia	100%	-
Ecofibre USA Inc. (EUSA)	United States of America	100%	100%
Ananda Hemp Inc. (AH) (formerly United Life Science Inc.)	United States of America	100%	100%
Ecofibre Kentucky LLC (EK)	United States of America	100%	100%
Hemp Black Inc. (HB) (formerly Satival Inc.)	United States of America	100%	100%
EOF Distribution Inc. (EOFD)	United States of America	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.
EOFH's principal activity is sales and distribution of hemp products. EOFH was incorporated on 29 June 2020.
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 the manufacture of hemp nutraceutical products.
HB's principal activity is to develop and commercialise hemp fibre products.
EOFD is a special purpose sales and marketing entity for the Ananda Health business in the United States. EOFD was incorporated on 18 March 2020.
EU is a dormant entity.

24. Reconciliation of profit after income tax to net cash flows from operating activities

	2020 $'000	2019 $'000
Net profit/ (loss) after income tax	13,156	6,000
Depreciation and amortisation	2,049	958
(Gain)/ Loss from disposal of fixed assets	(85)	(160)
Provision for doubtful debt	203	47
Share-based payments	2,705	3,752
Transaction costs related to IPO	-	754
Fair value adjustments for convertible loan	(45)	(23)
Movement in foreign exchange	(425)	391
Unrealised foreign exchange gain	(152)	(151)
Interest paid for related party loan	-	(67)
Change in operating assets and liabilities		
Decrease (increase) in assets		
Trade and other debtors	(6,837)	(1,865)
Prepayments	(4,341)	(389)
Inventories	(3,441)	(3,854)
Biological assets	84	(1,450)
Deferred tax assets	(458)	(1,955)
Tax recoverable	251	(251)
Increase (decrease) in liabilities		
Trade creditors	373	251
Other creditors and accruals	2,250	21
Interest payable	-	-
Provisions	-	-
Tax payable	829	(80)
Employee entitlements	85	116
Deferred tax liabilities	(392)	392
Net cash flows from operating activities	5,809	2,437

25. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, convertible loans and cash and cash equivalents.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign exchange risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the levels of exposure to foreign exchange and interest rates and assessments of market forecasts for foreign exchange and interest rates.

25. Financial risk management objectives and policies (continued)

Risk exposures and responses

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's maximum exposures to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Group minimises concentrations of credit risk in relation to trade receivables by having payment terms of 60 days and receivable balances are monitored on an ongoing basis.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's funds held on term deposits. All interest-bearing liabilities are at fixed interest rates. At the end of the reporting period the Group had the following financial assets exposed to interest rate risk.

	2020 $'000	2019 $'000
Financial Assets		
Cash and cash equivalents	18,252	25,740

The Group's policy is to place funds in interest-bearing accounts and term deposit where the funds are surplus to immediate requirements. The Group's interest rate exposure is reviewed near the maturity date of term deposits, to assess whether more attractive rates are available without increasing risk.

The following sensitivity analysis is based on the interest rate exposures in existence at the end of the reporting period. At 30 June 2020, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit after tax and equity would have been affected as follows:

	Profit after tax higher/ (lower)		Equity higher/ (lower)	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Consolidated				
+ 1% (100 basis points)	183	257	183	257
- 0.5 % (50 points)	(91)	(129)	(91)	(129)

The movements in profits is due to higher/ (lower) interest income from cash balances. There is no impact on equity other than impact on accumulated losses.

25. Financial risk management objectives and policies (continued)

Liquidity risk

The Group's objective is to maintain sufficient funds to finance its current operations and additional funds to ensure its long-term survival. The Group will rely on increasing sales and operating cashflows to finance ongoing operations, together with government incentives. Liquidity risk is monitored through rolling cash flow forecasts that are tabled and reviewed by the Board. Total liabilities are payable as follows:

	2020 $'000	2019 $'000
Less than one year	10,701	5,080
Between one and five years	10,593	392
Later than five years	-	-
	21,294	5,472

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies on product sales and purchases of goods and services in currencies other than the Group's functional currency. The group manages this risk by monitoring the level of exposure to foreign currency transactions and forecasting currency requirements through rolling cash flow forecasts.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2020 $'000	2019 $'000	2020 $'000	2019 $'000
US dollars	17,114	7,280	21	-

The consolidated entity had net assets denominated in foreign currencies of $17,093,000 (assets of $17,114,000 less liabilities of $21,000) as at 30 June 2020 (2019: $7,280,000). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2019: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $1,246,000 higher/$1,246,000 lower (2019: $518,000 higher/$518,000 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2020 was $3.9m (2019: $11,000).

Fair value

The carrying amount of all other recognised financial assets and financial liabilities are considered a reasonable approximation of their fair value due to their short-term nature.

26. Key management personnel disclosures

Compensation
The aggregated compensation made to the key management personnel of the parent entity is set out below:

	2020 $'000	2019 $'000
Short-term employee benefits and directors fees	661	661
Share based payments	1,185	1,828
Post-employment benefits	54	54
	1,900	2,543

See also Note 27 for other related party transactions

27. Related party transactions

Transactions with related parties
The following transactions occurred with related parties:

	2020 $'000	2019 $'000
Interest expense for line of credit with Barry Lambert *	-	31
Interest expense for convertible loan with Lambert Superannuation Fund	35	307
Interest expense for term loan (see note 17)	18	-
	53	338

* In October 2018, Barry Lambert agreed to provide $6.5 million line of credit to Ecofibre Limited. This facility was unsecured and incurred interest at 7.5% per annum. This facility expired on 12 April 2019.

Receivable and payable to related parties
The receivables from and payables to related parties are disclosed in note 17.

28. Parent entity information

Set out below is the supplementary information about the parent entity.

	2020 $'000	2019 $'000
Profit/ (Loss) after income tax	12,770	(887)
Total comprehensive income	12,770	(887)
Statement of financial position		
Total current assets	37,762	31,646
Total assets	66,598	36,908
Total current liabilities	686	1,735
Total liabilities	10,686	1,735
Equity		
Issued capital	62,376	56,189
Share based payment reserve	5,148	3,229
Convertible loan reserve	-	139
Retained profits	(11,612)	(24,384)
Total equity	55,912	35,173
Future operating leases not provided for in the financial statements	-	170

29. Share-based payments

Shares issued in-lieu of research services

Ecofibre has entered into an agreement with Thomas Jefferson University (TJU) to provide research services to Ecofibre over 5 years, commencing 1 July 2017. In accordance with the Research and Share Subscription Agreement signed between both parties, 7,147,561 new shares were issued to TJU in the current year for $3,836,000 worth of research services. Of the total research services, $659,000 was recognised as part of the employees and contractors expenses in the current year as disclosed in note 5(b).

29. Share-based payments (continued)

Share options

Ecofibre has granted TJU an option to subscribe for fully paid ordinary shares within 6 months of the end of the research.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	No of options granted	Exercised	Expired/ forfeited/ other *	Balance at the end of the year
1 Jul 2017	31 Dec 2022	$0.537	12,178,260	-	-	(4,213,679)	7,964,581

* During the year, Ecofibre and TJU agreed to amend their agreement and the original grant value of TJU's options was revised down from US$5.0m to US$3.3m. This resulted in a reduction of the number of outstanding options from 12,178,260 options to 7,964,581 options.

None of the options granted are exercisable at 30 June 2020.

For the options granted, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1 Jul 2017	31 Dec 2022	$0.537	$0.537	54%	-	2.21%	$0.26

	2020 $'000	2019 $'000
Expenses recognised for share options granted during the year	(24)	632

Employee shares

Employment agreements were signed with key employees who have an impact on the Group's performance. The agreements include clauses which entitled the employees to payment in shares of the Company or cash if certain performance conditions are met.

The expenses recognised for employee services received during the year as part of the employee share scheme are as follows:

	2020 $'000	2019 $'000
Expenses from equity-settled share-based payment transactions	2,729	2,985
Expense from cash settled share-based payment transactions	-	135
Total expense from employee share-based payment transactions	2,729	3,120

29. Share-based payments (continued)

Share-based payment reserve

	2020 $'000	2019 $'000
Share options	1,240	1,264
Employee shares	3,908	1,965
Total share-based payment reserve	5,148	3,229

The share-based payment reserve is used to record the cost of equity-settled transactions over the vesting period.

Share-based payment expense

	2020 $'000	2019 $'000
Share options	(24)	632
Employee shares	2,729	3,120
Total share-based payment expense	2,705	3,752

30. Earnings per share (EPS)

	2020 $'000	2019 $'000
Earnings used in the calculation of basic and diluted EPS ($'000)	13,156	6,000
Weighted average number of shares* outstanding during the period used in the calculation of basic and diluted EPS:		
Basic	296,929,432	262,703,027
Diluted	303,165,688	276,186,752

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

31. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated - 2020				
Assets				
Biological assets	-	2,321	-	2,321
Liabilities				
Related party loans – Term loan	-	10,000	-	10,000
Consolidated - 2019				
Assets				
Biological assets	-	2,405	-	2,405
Liabilities				
Related party loans – Convertible loan	-	1,340	-	1,340

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

32. Events after the reporting period

On 29 July 2020, Ecofibre entered into a conditional Asset Sale Agreement (ASA) to acquire a portfolio of businesses and assets of TexInnovate, a key manufacturing partner of Hemp Black based in North Carolina, USA. The portfolio includes five businesses that have deep technical expertise across a broad range of high-performance textile disciplines. The businesses work together as an integrated manufacturing platform and will help drive innovation and delivery for a range of products envisaged for Hemp Black.

The total potential consideration for the acquisition is approximately USD49.0m.

Consideration for the business and its operating assets is USD42.0m:

- At completion Ecofibre will pay USD21.0m (USD10.5m cash, and 5,924,926 shares also with an approximate value of USD10.5m).
- Contingent consideration with a value up to USD21.0m, payable in 3 equal tranches of USD7.0m each on the 3rd, 4th and 5th anniversaries after completion. Each tranche will comprise 50% cash and 50% shares. The contingent consideration is subject to the acquired businesses delivering USD6.0m earnings before interest and tax (EBIT) for two consecutive annual periods within five years of completion.

Consideration for real estate assets used by the business is estimated at USD7.0m and will be determined by independent market appraisal. The acquisition of the real estate will be settled in cash at completion.

Completion of the acquisition is subject to satisfactory due diligence by Ecofibre. The ASA contains warranties, indemnities, restraints of trade and other commercial and legal provisions that Ecofibre considers appropriate for the transaction. Ecofibre intends to employ all of TexInnovate's current staff at completion.

To fund the cash component payable at completion for the business, operating assets and real estate, 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. The share placement was completed and 11,800,000 new shares issued on 4 August 2020.

No other matter or circumstance has arisen since 30 June 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.

Ecofibre Limited

Independent auditor's report to the members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ecofibre Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters (continued)

Share-based Payments	
Refer also to Remuneration Report, note 1(o) and 29	**How our audit addressed it**
The Group issued share options to a major supplier who provides research services to the Group. The Group also signed employment agreements with key employees which entitled them to shares in the Company if certain performance or service conditions are met. The valuation of share-based payment arrangements required significant judgement and estimation by management, including the following: - The evaluation of the grant date of the arrangements, and the evaluation of the fair value of the underlying share price of the company as at the grant dates; - The evaluation of the share-based payment expenses taken to the profit or loss in respect of the accrual of service and performance conditions attached to the share-based payments; and - The evaluation of key inputs into the valuation model.	Our audit procedures included: — In determining the grant date, we evaluated what was the most appropriate date based on the terms and conditions of the share-based payment arrangements; — Evaluating the fair value of the share-based payment arrangement by agreeing assumptions to third party evidence; — In evaluating the progress of the vesting of share-based payments with performance milestones, we evaluated the directors' assessment of the likely success or failure of achieving those milestones; — In assessing the vesting of service conditions, we considered the expensing of each share-based payment tranche granted to the arrangement's beneficiary; — For specific application of the Black-Scholes Model in the valuation of share options, we retested some of the assumptions used in the model and recalculated those fair values using the skill and know-how of our in-house specialists. We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms; and — We also reconciled the vesting of share-based payment arrangement to disclosures made in the Remuneration Report and financial statements. — Assessing the adequacy of disclosures in the notes to the financial statements.

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Valuation of Inventories and Biological Assets</th></tr>
<tr><th>Refer also to note 1(i), 1(j), 9 and 10</th><th>How our audit addressed it</th></tr>
<tr><td>The Group held biological assets of $2.3 million at 30 June 2020. The Group's biological assets consist of planted hemp crop. The biological assets are measured at fair value less costs to sell or, in the absence of a fair value, at cost less impairment. The valuation uses a range of judgemental assumptions.

Key assumptions include:
- Total number of acres or hectares planted;
- Percentage of maturity of the plant based on estimated harvest date; and
- Costs per acre, hectare or yield paid or payable to the farmers.

Upon harvest, the value of biological assets are transferred to inventory. Its fair value forms part of the standard cost for inventory valuation.

The group's inventory of $10 million is significant to the financial statements and has increased by $3.4 million from prior year.</td><td>Our audit procedures included:
— Attending stock counts at multiple locations;
— Considering the valuation methodology against the relevant Australian Accounting Standard;
— Testing the mathematical accuracy of the calculation;
— Testing the assumptions used based on farming contracts;
— Assessing management's standard costing model and inputs;
— Evaluating management's judgement and assumptions used in determining the inventory provision;and
— Assessing the adequacy of disclosures in the notes to the financial statements.</td></tr>
<tr><th colspan="2">Revenue Recognition</th></tr>
<tr><th>Refer also to note 4 and note 1(d)</th><th>How our audit addressed it</th></tr>
<tr><td>The Group generated $50.7 million of sales revenue for the year ended 30 June 2020. Revenue is recognised in accordance with the specific revenue recognition requirements of AASB15 being: -

- Identifying performance obligations in contracts with customers;
- Identifying when revenue can be measured reliably;
- It is probable that economic benefits associated with the transaction will flow to the Group; and
- The point in time when the customer takes delivery of the goods.

The size, scale and complexity of the group's operations grew significantly during the year, new distribution wholesalers were added, and a number of new systems were implemented. In these circumstances, revenue recognition was an area of focus as a key audit matter.</td><td>Our audit procedures included:
— An analysis of sales transactions to verify the correct treatment in accordance with the AASB 15 revenue recognition criteria;
— Performing sales cut-off testing;
— On a sample basis, comparing sales transactions to delivery documents;
— Reviewing sales contract for the Group's key customers;
— Evaluating management's judgement and assumptions used in determining the provision for sales return; and
— Verifying a sample of sales transaction to payments received.
— Assessing the adequacy of disclosures in the notes to the financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 41 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Ecofibre Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck (Qld)
ABN 21 559 713 106

Junaide Latif
Director

Brisbane: 21 August 2020

Shareholder Information

The shareholder information set out below was applicable as at 6 August 2020.

Number of securityholders

There are 4,420 holders of ordinary shares (quoted and unquoted), 1 holder of options (unquoted) over ordinary shares and 66 holders of performance rights (unquoted). There were no other classes of equity securities on issue.

Fully paid ordinary shares

Distribution of ordinary shares

Size of shareholding	Number of shareholders	Number of shares	% of shares on issue
1 to 1,000	1,945	942,036	0.28%
1,001 to 5,000	1,360	3,603,232	1.08%
5,001 to 10,000	440	3,560,946	1.07%
10,001 to 50,000	494	11,753,696	3.53%
50,001 to 100,000	60	4,369,938	1.31%
100,001 and over	121	309,215,087	92.73%
Total	**4,420**	**333,444,935**	**100.00%**
Holding less than a marketable parcel	386	60,028	

Twenty largest holders of quoted ordinary shares

The names of the twenty largest holders of quoted ordinary shares (excludes shares in escrow) are listed below:

Name	Number	% of quoted ordinary shares
HSBC Custody Nominees (Australia) Limited	26,664,201	8.00%
Thomas Jefferson University	10,532,143	3.16%
Pacific Custodians Pty Limited	8,016,536	2.40%
Texsymmetry Inc	6,454,890	1.94%
Citicorp Nominees Pty Limited	5,316,294	1.59%
John Ryan	5,099,289	1.53%
JP Morgan Nominees Australia Pty Limited	4,406,508	1.32%
Barjoy Pty Ltd	3,994,976	1.20%
Barry Martin Lambert & Joy Wilma Lillian Lambert	3,218,975	0.97%
Profitous Pty Ltd	2,946,288	0.88%
Troncell Pty Ltd	2,922,078	0.88%
National Nominees Limited	2,032,896	0.61%
James 1916 Pty Ltd	2,000,000	0.60%
Phildew Pty Ltd	1,948,053	0.58%
Yarrawonga Holdings Pty Ltd <Yarrawonga No 2 A/C>	1,616,606	0.48%
Yarrawonga Holdings Pty Limited <Yarrawonga Super Fund A/C>	1,601,494	0.48%
Miranda June Brown	1,364,998	0.41%
Brian Furnish & Amy Furnish	1,130,191	0.34%
E G Enterprises Pty Ltd	1,101,364	0.33%
William David Furnish	1,035,793	0.31%
Total	**93,403,573**	**28.01%**

Substantial holders

Substantial holders in the Company as disclosed in substantial holding notices given to the Company were as follows:

Name of substantial holder	Number of shares over which interest is held	% of issued capital
Barry Martin Lambert	74,236,900	23.57%
Philip Warner	53,109,243	17.17%
James William Vicars	30,841,174	9.97%

Unquoted Restricted Securities

There are 191,907,744 unquoted ordinary shares on issue subject to a 24 month ASX restriction as follows:

Restriction period	Class of security	Number	Number of holders	Date escrow period ends
24 months ASX restriction from date of official quotation	ORD	191,907,744	73	29 March 2021

Unquoted Options

There were 9,610,698 unquoted options over ordinary shares as follows:

Unquoted options – description	Number of options	Number of holders
Thomas Jefferson University options expiring 31 December 2022 exercisable @ AU$0.537 per share	9,610,698	1
Total	**9,610,698**	**1**

Unquoted Performance Rights

Distribution of Performance Rights

There are 14,074,052 unquoted performance rights on issue held by 66 holders as follows:

Size of holding	Number of holders	Number of Rights	% of Rights on issue
1-1,000	45	14,300	0.10%
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	12	444,750	3.16%
100,000 and above	9	13,615,002	96.74%
Total	**66**	**14,074,052**	**100.00%**

Voting Rights

Ordinary shares carry voting rights on a one for one basis. Unquoted options and performance rights do not carry voting rights.

Other ASX required information

During the period between admission to the Official List of ASX and the end of the reporting period, the Company used the cash, and assets in a form readily convertible to cash, that it had at the time of admission to the ASX, in a way consistent with its business objectives. This statement is made pursuant to ASX Listing Rule 4.10.19.

CORPORATE DIRECTORY

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Jon Meadmore
Eric Wang

Company secretary
Jonathan Brown

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Stock exchange listing
Ecofibre Limited shares are listed on the Australian Securities Exchange (ASX code: EOF)

Corporate Governance Statement
ecofibre.com/investors/corporate/

www.ecofibre.com

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