



20 January 2020

## Ecofibre Limited - 2Q21 Update and 4C Report

### HIGHLIGHTS

- 2Q21 revenue \$7.6m: up 8% on prior quarter
- Cash on hand \$13.5m: \$0.1m operating cash outflow in the quarter
- Independent pharmacy channel improving – alliance with leading pharmaceutical compounding distributor MEDISCA launches Feb 1 to its US pharmacy network
- Balans Labs roll out completed Jan 4 - in ~3,000 CVS Pharmacy stores and online at [CVS.com](https://www.cvs.com)
- Ananda Food hemp seed products now in over 1,250 Woolworths and Coles stores

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, ADR: EOFBY) provides its Appendix 4C Quarterly Report for the three months ended 31 December 2020 (2Q21) and an update on the Company's trading performance.

### 2Q21 Trading Update

Unaudited revenue for 2Q21 was \$7.6m, up 8% from the prior quarter (\$7.1m) and down 48% on the prior corresponding period (pcp).

CEO Eric Wang stated, "Business conditions have improved in the United States as 2020 came to an end. Whilst the quarterly revenue figure shows minor improvements, the underlying conditions and momentum is very positive which will begin to manifest itself in 2H21. I am very pleased with progress made during the quarter especially around a series of foundational outcomes to include;

- a significant distribution alliance for US and overseas compounding pharmacies
- completing the initial BalansLabs product rollout across c.3,000 CVS pharmacies
- new Hemp Black clients that create long-term value in the sustainable high-performance textile market, and
- our food business establishing itself as the core supplier of hemp foods across Australia."

The Company expects to release its FY21 half-year results on February 11, 2021.



## Ananda Health

Ananda Health continues to focus on initiatives to help pharmacies grow their relationship with Ananda and provide healthcare benefits to pharmacies and their patients.

In November Ananda Health reduced the MSRP (manufacturer suggested retail price) for a number of key products to ensure overall competitiveness of the Ananda range. The new prices reflect ongoing price competition in the CBD industry (an estimated 3,500 CBD brands in the US) balanced with the premium position of our products with pharmacies and consumers.

This price change helps pharmacies reduce the number of patients purchasing cheaper, lower quality products.

### *Medisca Global Distribution Alliance*

Ananda Health has entered into a significant exclusive agreement with Medisca (see ASX Announcement dated 19 January 2021), a leading global pharmaceutical compounding distributor with major operations in the US, Australia and Canada. Medisca has over 30 years of excellence and supplies products to over 10,000 compounding pharmacies.

Ananda Health CEO David Neu said, "Medisca is one of the largest distributors to compounding pharmacies in the US, Australia and Canada. Their focus on quality product solutions, education and training aligns perfectly with Ananda Health's values. Medisca will be the exclusive pharmaceutical compounding distributor for Ananda Health and Ananda Health will be the exclusive CBD brand distributed by Medisca."

### *CVS Pharmacy*

On January 4, 2021 the rollout of Ecofibre manufactured Balan's Labs topical CBD was completed. These 10 products are now available in ~3,000 CVS stores across the US and on [CVS.com](https://www.cvs.com).

In-store merchandising, promotional activity and digital marketing activities are underway this quarter. This rollout is expected to produce positive results in 2H21.

As previously advised, Ananda Health's relationship with CVS had also enabled the sale of Hemp Black facemasks, including distribution through over 4,000 CVS retail locations across the US, under the exclusive 'BalansLabs' label.

### *Australian Regulatory Developments – Down scheduling of CBD to S3*

Ecofibre was pleased to note the Therapeutic Goods Administration (TGA) decision to down-schedule cannabidiol (CBD) preparations to Schedule 3 (Pharmacist Only Medicine).

The decision allows TGA approved CBD products to be supplied over the counter by a pharmacist, without a doctor prescription. The decision limits over-the-counter supply to only those products that are approved by the TGA and included on the Australian Register of Therapeutic Goods (ARTG).

Ecofibre has prioritized its efforts to apply to the TGA to register products that meet the Schedule 3 requirements.

Ecofibre Chairman Barry Lambert states, “Getting affordable, quality full spectrum CBD products to Australians has always been a mission for Ecofibre. I am very pleased with the TGA’s decision to finally simplify access for the millions of Australians who can benefit from low-dose full spectrum products like our customers in the United States have for several years.”

“CEO Eric Wang and his team will leverage our significant US manufacturing capability, data from our FDA-authorized clinical trials and most importantly our #1 US pharmacy position to support an application to the TGA for Schedule 3 CBD preparations on the ARTG.”

### *New Product Pipeline*

During the quarter, Ananda Health has developed several new products for launch in 3Q21:

- Diabetic sock and treatment program that utilises the manufacturing capability of both Ananda Health and Hemp Black. Diabetic socks will be manufactured using Hemp Black technology and will be sold together with an Ananda Professional foot care cream to improve patient outcomes. These products will be distributed to wellness centers across our independent pharmacy network.
- Two women's health products will be launched that focus on patients with endometriosis and general vaginal health. These products will be distributed across our independent pharmacy network in the United States beginning in February.

Ecofibre Chief Science Officer, Dr. Alex Capano states, “These product lines expand our patient population considerably as they address common yet chronic health issues. The innovative technology and formulations differentiate these products in their respective categories.”



### *Clinical Research Program Update*

- The Coala-T-CBD™ study, a phase II clinical trial on the treatment of chemotherapy-induced peripheral neuropathy, continued to enroll participants during the quarter, a period in which many other clinical trials were forced to stop enrollment due to the COVID-19 pandemic.

The team expects to double enrollment in early 2021 after expanding inclusion criteria to include those with breast, ovarian, colon and endometrial cancers, and to date has validated zero safety or tolerability issues in the Coala-T-CBD™.

- Ecofibre's second phase II clinical trial on agitation in patients with Alzheimer's disease received FDA authorization to begin enrollment in December 2020. In addition to clinical evaluation, data will also be collected on CBD's effects on blood pressure, heart rate, and sleep cycles. These biometrics will be collected via wearable technology and proprietary software developed by the research team.

The study material used for this study is a broad spectrum (zero-THC) Ananda product.

- A women's health study is planned to launch this quarter in collaboration with Professor Pradeep Tanwar and the University of Newcastle. Professor Tanwar will examine the effects of Ananda's new women's health products (being launched in the US in February) on pelvic pain and endometriosis using cutting edge organoid technology. Professor Tanwar is a global leader in developing targeted therapies for women's health and gynecological cancers.

Ecofibre Chairman Barry Lambert said, "This expanded portfolio demonstrates Ecofibre's commitment to quality research and is unparalleled in the hemp industry. The studies will produce important data on full spectrum hemp extract CBD and aim to provide patients, pharmacists and doctors with information that helps address otherwise intractable health issues."

"I am particularly pleased that we have expanded our research portfolio into Australia, and I look forward to Ecofibre working closely with Professor Tanwar and the University of Newcastle who are strongly focused on patient outcomes."



## Hemp Black

Revenue for Hemp Black in 2Q21 totaled \$3.4m (1Q21: \$2.6m), which included the first full quarter of sales from Hemp Black North Carolina.

[Hemp Black](#) launched its initial line of protective athleisure wear in November 2020, incorporating proprietary Hemp Black yarns which provide anti-microbial benefits in pockets, jacket sleeves and other parts of the clothing.

The clothing line was developed to help establish and promote the Hemp Black brand and showcase its technologies and has been launched for sale online ([hempblack.com](http://hempblack.com)). The business will continue to expand the use of Hemp Black technologies into existing product lines and expand applications into new segments over the medium to long-term.

## Ananda Food

In 2Q21 Ananda Food commenced supply of bulk and packaged hemp seed oil, protein powder and de-hulled seed to the 'Soul Seeds' brand of health products developed exclusively for Coles.

Ananda Food sales in 2Q21 totaled \$0.7m, up 22% from 1Q21 (\$0.5m), and further sales growth is anticipated in 2H21.

## Appendix 4C Cash Flow Discussion

As at 31 December 2020 the Company's cash position was \$13.5m (30 September 2020: \$15.6m).

- Cashflows from **operating** activities in the quarter were -\$0.1m, including:
  - Receipts from customers of \$10.8m, higher than revenue for the quarter (\$7.6m) reflecting collection of opening receivables balances.
  - Research and Development costs (\$0.5m) related to clinical trials conducted at the Lankenau Institute for Medical Research and Eastern Virginia Medical School.
  - Product manufacturing and growing costs, including:
    - Ananda Food payments to Tasmanian growers for the 2019/20 hemp crops (\$0.3m)
    - Ananda Health payments for Kentucky CBD crop supply (\$0.8m)
  - Income taxes relating to prior financial periods (\$0.5m)



- Cashflows used in **investing** activities in the quarter totaled \$1.5m which related to final payments for the new US Headquarters and the development of bi and tri-component yarn extrusion lines which will enable conductive yarns and fabrics.
- Cashflows used in **financing** activities of \$0.1m relate to payment of the principal portion of lease liabilities.

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

In accordance with Listing Rule 4.7C.3, and as noted in Item 6 of the Appendix 4C Cashflow Statement, payments to related parties and their associates totalled \$141,000 during the quarter for directors' salaries and fees and \$200,000 for interest payments on a term loan.

#### **Investor Relations and Media please contact:**

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#### **About Ecofibre**

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

In the United States, the Ananda Health 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](http://www.anandahemp.com) and [www.anandaprofessional.com](http://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](http://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](http://www.hempblack.com).

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

#### **Authorisation**

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



## Appendix 4C

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

**Name of entity**

Ecofibre Limited

**ABN**

27 140 245 263

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	10,766	17,821
1.2 Payments for		
(a) research and development	(506)	(1,114)
(b) product manufacturing and operating costs	(3,359)	(9,650)
<i>Grower payments, Ananda Health</i>	(781)	(1,918)
<i>Grower payments, Ananda Food</i>	(309)	(1,343)
<i>Production costs</i>	(2,269)	(6,389)
(c) advertising and marketing	(735)	(1,155)
(d) leased assets	(57)	(109)
(e) staff costs	(4,191)	(7,397)
(f) administration and corporate costs	(1,867)	(3,048)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	16
1.5 Interest and other costs of finance paid	(220)	(438)
1.6 Income taxes paid	(451)	(1,379)
1.7 Government grants and tax incentives	194	621
1.8 Other (provide details if material)	274	274
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(147)</b>	<b>(5,558)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(13,689)
(c) property, plant and equipment	(1,416)	(13,308)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets		
<b>2.2</b> Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	4	17
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	(53)	(38)
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(1,465)</b>	<b>(27,018)</b>

<b>3.</b> <b>Cash flows from financing activities</b>		
<b>3.1</b> Proceeds from issues of equity securities (excluding convertible debt securities)	-	29,500
<b>3.2</b> Proceeds from issue of convertible debt securities	-	-
<b>3.3</b> Proceeds from exercise of options	-	-
<b>3.4</b> Transaction costs related to issues of equity securities or convertible debt securities	-	(392)
<b>3.5</b> Proceeds from borrowings	-	-
<b>3.6</b> Repayment of borrowings	-	-
<b>3.7</b> Transaction costs related to loans and borrowings	-	-
<b>3.8</b> Dividends paid	-	-
<b>3.9</b> Other (payment for principal portion of lease liabilities)	(124)	(261)
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>(124)</b>	<b>28,847</b>

<b>4.</b> <b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
<b>4.1</b> Cash and cash equivalents at beginning of period	15,644	18,252
<b>4.2</b> Net cash from / (used in) operating activities (item 1.9 above)	(147)	(5,558)



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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,465)	(27,018)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(124)	28,847
4.5	Effect of movement in exchange rates on cash held	(413)	(1,028)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>13,495</b>	<b>13,495</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	6,297	7,382
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits and credit card clearing accounts)	7,198	8,262
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>13,495</b>	<b>15,644</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	341
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

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

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

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(147)
8.2 Cash and cash equivalents at quarter end (item 4.6)	13,495
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	13,348
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>91</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer:
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer:

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

Answer:

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

## Compliance statement

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

20 January 2021

Date: .....

By the Board

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

## Notes

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

## APPENDIX

Use of Funds Raised under the Offer <sup>1</sup>		April 2019 - December 2020 <sup>3</sup>		
Categories	Total <sup>2</sup>	Planned Spend	Actual Spend	Comments
Accelerate the establishment and commercialisation of Hemp Black	2,083,000	2,083,000	2,083,000	All funds allocated for Hemp Black commercialisation have now been disbursed as operating and capital expenditure.
<ul style="list-style-type: none"> <li>product development, sales and marketing, customer samples and other commercialisation expenses</li> <li>fund the design, construction and commissioning of new premises in Georgetown Kentucky</li> </ul>	7,792,000	7,792,000	8,954,000	All funds allocated to the Georgetown premises in the Prospectus have been spent - remaining costs funded from operating and other cashflows.
Provide additional working capital to accelerate the growth of Ananda Food	\$4,000,000	\$4,000,000	\$2,923,000	Net increase in the investment in inventories (including biological assets), trade receivables and current liabilities for Ananda Food.
Provide additional general working capital	\$5,000,000	\$5,000,000	\$5,000,000	Includes net increase in investment in inventories (including biological assets), trade receivables and current liabilities, particularly Ananda Health.
Costs of the offer	\$1,125,000	\$1,125,000	\$1,040,000	Actual transaction costs lower than initial estimate, as previously disclosed in the Appendix 4C statement for 4Q19.
<b>Total</b>	<b>\$20,000,000</b>	<b>\$20,000,000</b>	<b>\$20,000,000</b>	

<sup>1</sup> Refer page 88 of the Company's Prospectus dated 22 February 2019

<sup>2</sup> Based on Maximum Subscription amount of \$20.0m

<sup>3</sup> Unchanged from June 2020 as all proceeds had already been fully disbursed by that date