



27 April 2021

### Ecofibre Limited - 3Q21 Update and 4C Report

#### HIGHLIGHTS

- 3Q21 revenue \$6.8m
- Strong balance sheet with cash at \$11.7m
- Improved momentum in core pharmacy channel as US enters post-COVID environment
- Hemp Black initiatives progressing well and continued growth in Ananda Food

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, ADR: EOFBY) provides its Appendix 4C Quarterly Report for the three months ended 31 March 2021 (3Q21) and an update on the Company's trading performance.

#### 3Q21 Trading Update

Unaudited revenue for 3Q21 was \$6.8m, down 10% from the prior quarter (\$7.6m) and down 52% on the prior corresponding period (pcp).

The lower revenues this quarter were due to:

- a reduction in Hemp Black mask sales as demand has reduced
- lower online Ananda Hemp sales due to seasonality from the previous holiday quarter
- CVS sales from the previous quarter included initial stock for ~3,000 stores

Ecofibre CEO Eric Wang said "Since the middle of March we have seen a good return to growth in our core independent pharmacy channel as COVID related disruptions subside. We are pleased to see that our relationships and loyalty to this channel over the past year is being rewarded and look forward to our core business returning to pre-COVID levels in due course."

#### Ananda Health

Ananda Health continues to increase its focus on helping independent pharmacies grow their relationship with Ananda and to provide healthcare benefits to their patients. After reviewing the landscape, Ananda has returned its focus to a direct relationship with pharmacies.



### *Increasing direct support to pharmacies*

#### 1. Online direct to consumer capability for Independent pharmacies launches May 3<sup>rd</sup>

In February 2021, Ananda Health announced its commitment to help US independent pharmacies develop e-commerce capabilities to augment in-store sales. 85% of Ananda Professional retailers have a website but only 7% sell products to patients online.

The capability-build for this initiative is now complete, pharmacy training is underway, and this capability will officially launch to pharmacies and their customers May 3<sup>rd</sup>.

#### 2. Two product lines launched in late February

- diabetic sock and treatment program that combines socks manufactured using Hemp Black technology, and Ananda Professional foot care cream; and
- two women's health products focused on pelvic pain and vaginal health

"We are very excited about these two product categories as they address very significant patient categories for our pharmacy customers," said Eric Wang.

With the business returning its focus to engage independent pharmacies more directly, David Neu returned to his former role as Executive Chairman, retaining responsibility for key customers such as CVS and seeking opportunities in new markets. Eric Wang has returned to assuming day-to-day responsibility for Ananda Health.

### *CVS Pharmacy expansion and marketing plans*

EOF Distribution launched three new products to CVS stores in March with an exclusive shelf riser at point of sale: Bedtime Balm, Bedtime Lotion and Bedtime Roll-on. There are now 14 Balans Labs products, with a further 7 to be launched to an additional 450 CVS stores in July.

A 'CVS Vitamin Beacon' endcap display promotion will commence for 12 months in May. Ananda Health will be the only CBD brand displayed as part of this promotion. Additionally, a national PR campaign by CVS begins May 1<sup>st</sup> with 40 editors across, health, beauty and fitness media outlets.

### *Australian OTC CBD market*

Ecofibre continues to prioritize its efforts to support an application to the TGA to register products that meet Schedule 3 requirements, as set out in its 19 April announcement. A new website was launched this month ([www.anandahemp.com.au](http://www.anandahemp.com.au)) to provide information for customers, patients, doctors and pharmacies on medicinal cannabis.

In May, Ananda Health's Australian product range will expand from 2 to 5 with the addition of THC-free 1000mg tincture, THC-free 900mg 60 count soft gels, and full spectrum endo relief cream. All products will continue to be sold under Schedule 4 or Schedule 8 and require a doctor's prescription.

### Ananda Food

Ananda Food experienced good growth in sales in 3Q21. Mr. Wang said "Ananda Food continues its trend of steady growth with sales in Woolworths (via Macro brand), Coles (via Soul Seeds) and other customers continue to grow around 10-20%. The team continues to focus on delivering savings and this year's harvest will yield a 20% reduction in seed costs that will be realised in the future as these crops are processed."

### Hemp Black

On 21 April Ecofibre announced early completion of the TJU research program, the upcoming launch of a seamless activewear range, the tri-component fibre extrusion line for conductive yarns, and a capability for re-claimed ocean plastics.

### Appendix 4C Cash Flow Discussion

As at 31 March 2021 the Company's cash position was \$11.7m (31 December 2021: \$13.5m).

- Cashflows from *operating* activities in the quarter was -\$1.2m, including:
  - Receipts from customers of \$7.1m
  - R&D costs (\$0.8m) related to payments for clinical trials, including Lankenau Institute for Medical Research and University of Newcastle, and trials and testing for the development of new products.
  - Product manufacturing and growing costs (\$4.2m), including grower payments for Ananda Health
  - Government grants and tax incentives (\$2.5m) mainly relating to receipt of US\$1.8m under a second US Small Business Administration Paycheck Protection Program.
- Cashflows used in *investing* activities in the quarter totaled \$0.6m related to the development of the tri-component yarn extrusion lines for the production of 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 \$197,000 for interest payments on a term loan.



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**About Ecofibre**

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

In the United States, the Company produces nutraceutical products for human and pet consumption, as well as topical creams and salves. See [www.anandahemp.com](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. See [www.anandahemp.com.au](http://www.anandahemp.com.au).

In Australia, the Company grows and produces hemp food products including protein powders, de-hulled hemp seed and hemp oil. See [www.anandafood.com](http://www.anandafood.com).

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

<b>Name of entity</b>		
Ecofibre Limited		
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>	
27 140 245 263	31 March 2021	
<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,109	24,930
1.2 Payments for		
(a) research and development	(757)	(1,871)
(b) product manufacturing and operating costs	(4,184)	(13,834)
<i>Grower payments, Ananda Health</i>	(588)	(2,506)
<i>Grower payments, Ananda Food</i>	(5)	(1,348)
<i>Production costs</i>	(3,591)	(9,980)
(c) advertising and marketing	(537)	(1,692)
(d) leased assets	(63)	(172)
(e) staff costs	(3,091)	(10,488)
(f) administration and corporate costs	(1,921)	(4,969)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	24
1.5 Interest and other costs of finance paid	(217)	(655)
1.6 Income taxes paid	(7)	(1,386)
1.7 Government grants and tax incentives	2,487	3,108
1.8 Other (provide details if material)	-	274
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,173)</b>	<b>(6,731)</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	(437)	(13,745)
(d) investments	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	(325)	(325)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	17
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	138	100
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(624)</b>	<b>(27,642)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	29,500
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(392)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment for principal portion of lease liabilities)	(104)	(365)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(104)</b>	<b>28,743</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	13,495	18,252
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,173)	(6,731)

Appendix 4C  
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 (9 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(624)	(27,642)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(104)	28,743
4.5	Effect of movement in exchange rates on cash held	66	(962)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>11,660</b>	<b>11,660</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	6,445	6,297
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits and credit card clearing accounts)	5,215	7,198
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>11,660</b>	<b>13,495</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	338
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.*



<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. 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 2022</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)	(1,173)
8.2 Cash and cash equivalents at quarter end (item 4.6)	11,660
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	11,660
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>10</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.

27 April 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 - March 2021 <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