



28 October 2021

Ecofibre Limited - 1Q22 Update and 4C Report

HIGHLIGHTS

- 1Q22 revenue \$7.9m, up 8% on prior quarter and up 12% pcp
- Operating cash outflows \$3.1m in 1Q22: c\$1.5m in continued investment for R&D
- Balance sheet remains strong: \$5.0m cash + \$4.3m to be received from exercise of TJU option in October. \$7.1m US government refunds and grants receivable as at 30 September 2021.
- Strong client pipeline for Hemp Black 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 30 September 2021 (1Q22) together with an update on the Company's trading performance.

1Q22 Trading Update

Unaudited revenue for 1Q22 was \$7.9m, up 8% from the prior quarter (\$7.3m) and up 12% on the prior corresponding period (\$7.1m).

Ecofibre CEO Eric Wang said, "Despite the slow recovery of Ananda Health revenues, 1Q22 saw progress across the portfolio, specifically the strong pipeline for our Hemp Black business and pleasing growth in Ananda Food. Both businesses had their highest quarterly sales results since inception."

Hemp Black - revenue \$3.5m (\$2.9m in previous quarter)

Delivery of new production capability in Hemp Black remains on track and significant progress was made in the pipeline of new customers during the quarter.



Development work continues with many potential clients and during the quarter the business received initial orders from one of the premiere US department stores (3D knitting) and a speciality rope manufacturer (yarn extrusion utilising glow in the dark technology). These orders will be filled beginning 2Q22 and 3Q22 respectively.

During the quarter Hemp Black was approved for the Amazon Launchpad program. Our full range of Hemp Black retail product is now available on Amazon. See [Hemp Black Store](#).

Ananda Health - revenue \$3.5m (\$3.9m in previous quarter)

Ananda Health sales were down slightly compared with the prior quarter, in part due to the impact of US Summer holidays. Whilst this quarter was more challenging, Ananda Health continues to focus on educating patients, pharmacists and doctors on its range of new products launched in 2H21, including diabetic socks and treatment program, two women's health products focused on pelvic pain and vaginal health, and CBD fruit chews.

In Australia, Ecofibre's sleep study, *"Phase IIb Double-Blind, Randomised Placebo-Controlled Clinical Trial for CBD for sleep disturbances in a healthy population"* began to enroll patients across four locations in Australia as part of Ananda Health's prioritisation of efforts to support an application to register products that meet the Therapeutic Goods Administration's Schedule 3 requirements.

The business continues to invest in its multi-year clinical research program, in support of its differentiated, evidence based, professional quality positioning, and is pleased to see initial results becoming available from these studies.

Ananda Food - revenue \$0.9m (\$0.6m in the previous quarter)

Ananda Food had its strongest sales quarter since inception. The business experienced continued steady growth from its core clients and we expect this trend to continue.

During the quarter the business completed its development of a high-quality animal feed product that is now being sold to a range of clients. Ananda Food continues to conduct R&D on other hemp formats to support further growth.

Thomas Jefferson University Option

Ecofibre will receive \$4.3m following the exercise of an option held by Thomas Jefferson University over 7,964,581 shares in the Company.

This option was awarded following completion of a multi-year research program that led to 6 patents and 17 patents pending, which are a key part of the IP portfolio that underpins the Hemp Black business.

Appendix 4C Cash Flow Discussion

The Company's cash position as at 30 September 2021 was \$5.0m (30 June 2021: \$8.6m), excluding funds subsequently receivable from the TJU Option.

- Cash outflow from **operating** activities in the quarter was \$3.1m.

The 1Q22 result includes:

- Receipts from customers of \$7.9m
 - R&D (\$1.5m) included the cost of external clinical trials and research and development work carried out internally by the Company, both of which are typically eligible for tax credits in Australia and the United States depending on the location of the work.
 - Product manufacturing and growing costs (\$3.7m) included grower payments for Ananda Health (\$0.6m) and Ananda Food (\$0.4m). A final Ananda Health grower payment (\$0.2m) will be made in 2Q22 for previous year harvests, after which the business will draw down on existing crop inventory to meet sales orders for the remainder of FY22.
- Cashflows used in **investing** activities totaled \$0.4m, mainly related to the ongoing development of new Hemp Black yarn extrusion lines.
 - Cashflows used in **financing** activities of \$0.1m relate to payment of the principal portion of lease liabilities.

In 2Q22 and 3Q22 operating cashflows are expected to include:

- \$2.4m in employee retention credits for the period to 30 June 2021, which are receivable under the US CARES Act modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020.
- \$1.4m additional employee retention credits expected to be received in relation to payroll costs incurred in 1Q22.
- \$3.3m against taxes paid in the prior financial year due to a one-off measure in the Relief Act that permits FY21 tax losses to be carried-back against prior period taxable income.

In accordance with Listing Rule 4.7C.3, and as noted in Item 6 of the Appendix 4C Cashflow Statement, payments to related parties and their associates totalled \$186,000 during the quarter for directors' salaries and fees and \$201,000 for interest payments on a term loan.



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About Ecofibre

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

In the United States, the Company produces nutraceutical products for human and pet consumption, as well as topical creams and salves. See www.anandahemp.com and www.anandaprofessional.com. The Company also supplies its leading Ananda Hemp CBD products to Australians via the SAS B program. See www.anandahemp.com.au.

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

The Company also develops and produces innovative hemp-based textile products in the United States. See www.hempblack.com.

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

Authorisation

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



Appendix 4C

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

Name of entity

Ecofibre Limited

ABN

27 140 245 263

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,898	7,898
1.2 Payments for		
(a) research and development	(1,466)	(1,466)
(b) product manufacturing and operating costs	(3,707)	(3,707)
<i>Grower payments, Ananda Health</i>	(640)	(640)
<i>Grower payments, Ananda Food</i>	(358)	(358)
<i>Production costs</i>	(2,709)	(2,709)
(c) advertising and marketing	(795)	(795)
(d) leased assets	(63)	(63)
(e) staff costs	(3,227)	(3,227)
(f) administration and corporate costs	(1,703)	(1,703)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(219)	(219)
1.6 Income taxes paid	(64)	(64)
1.7 Government grants and tax incentives	215	215
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,127)	(3,127)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(398)	(398)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	28	28
(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)	(70)	(70)
2.6 Net cash from / (used in) investing activities	(440)	(440)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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)	(134)	(134)
3.10 Net cash from / (used in) financing activities	(134)	(134)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	8,620	8,620
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,127)	(3,127)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(440)	(440)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(134)	(134)
4.5	Effect of movement in exchange rates on cash held	59	59
4.6	Cash and cash equivalents at end of period	4,978	4,978

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,818	4,339
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits and credit card clearing accounts)	160	4,281
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,978	8,620

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	387
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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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)	-	-
7.4 Total financing facilities	10,000	10,000
7.5 Unused financing facilities available at quarter end		-
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"> • Lender: James & Cordelia Thiele Trust Fund • Principal amount: AUD 10.0m • Repayment date: 15 July 2022 • Interest rate: 8.0% p.a • Lender costs payable: nil • Security / collateral: nil • Financial covenants: nil 	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,127)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,978
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,978
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.6
<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: In 2Q22 and 3Q22 operating cashflows are expected to include:

- \$2.4m in employee retention credits for the period to 30 June 2021, which are receivable under the US CARES Act modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020.
- \$1.4m additional employee retention credits expected to be received in relation to payroll costs incurred in 1Q22.
- \$3.3m against taxes paid in the prior financial year due to a one-off measure in the Relief Act that permits FY21 tax losses to be carried-back against prior period taxable income.

In addition, minimal further grower payments for Ananda Health (\$0.2m) will be required for the remainder of FY22 as the group anticipates utilising existing product inventory to meet sales orders.

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: Following the end of the quarter Thomas Jefferson University has exercised an option to purchase 7,964,581 shares in Ecofibre at an exercise price of AUD0.537 per share, and as a consequence, funds totalling \$4.3m will be received by the company.

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: Yes, the funding and initiatives described in 8.6.1 and 8.6.2 above enable the company to pursue its growth objectives.

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.

28 October 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.