

25 August 2023

### Ecofibre Limited – Share Purchase Plan Update

**Ecofibre Limited (Ecofibre, Company) (ASX:EOF)** today announces the opening of the Share Purchase Plan (SPP) as previously disclosed by the Company on Thursday, 24 August 2023.

The SPP provides each eligible shareholder with the opportunity to apply for up to A\$30,000 worth of shares at the same issue price as the placement announced on 24 August 2023 (being \$0.18).

This price represents an approximate 12% discount to the volume weighted average market closing price over the 5 ASX trading days immediately preceding the Announcement Date on which Ecofibre's Shares were traded. New shares issued under the SPP will rank equally with the Company's existing fully paid ordinary shares.

The Company intends to raise up to \$1 million under the SPP, which together with the previously announced institutional placement will provide growth working capital, including working capital for key global partnerships.

Participation in the SPP is voluntary and is open to holders of fully paid ordinary shares in Ecofibre on 23 August 2023 who have a registered address in Australia or New Zealand and who are not excluded from participation.

Full details of the offer and how to participate are contained in the attached SPP Offer Booklet. The SPP Offer Booklet and personalised Application Form can also be accessed from the offer website: <https://events.miraqle.com/eof-spp>.

The Offer opens today and is expected to close on Friday, 15 September 2023.

#### **Timetable of key dates**

An indicative timetable for the SPP is provided on the following page.

**Indicative SPP Timetable**

Event	Date *
Record date for SPP	7:00 pm Wednesday, 23 August 2023
Announcement of SPP	Thursday, 24 August 2023
SPP open date	Friday, 25 August 2023
SPP closing date	Friday, 15 September 2023
Expected date of ASX Quotation of New Shares under SPP	Monday, 25 September 2023

\* These dates are indicative only. The Company reserves the right to vary the dates without notice.

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

Jonathan Brown, Company Secretary, Ecofibre Limited  
 Level 12, 680 George Street, Sydney NSW 2000  
 investor-relations@ecofibre.com

**About Ecofibre**

Ecofibre is a diversified industrial hemp company in the United States and Australia.

We operate three vertically integrated businesses focused on growth in natural health care, plant-based foods, and sustainable product solutions.

Ananda Food owns one of the world’s largest collections of hemp seed genetics. It is a leading, low-cost manufacturer of high-quality hemp food products in Australia, including oil, seed, and proteins. See [anandafood.com](http://anandafood.com).

Ananda Health is a leading US manufacturer of hemp-based nutraceuticals for the professional market. We produce CBD products for human and pet consumption and topical health and beauty products. Our focus on high-quality, efficacious, and safe products is supported by a commitment to clinical research in Australia and the USA, focused on conditions including sleep, pain, anxiety, endometriosis, and gynecological diseases. See [anandaprofessional.com](http://anandaprofessional.com). Ananda Hemp provides Australians with medicinal cannabis products as part of the SAS-B program. Ananda Hemp offers a range of products manufactured at our US facility under the S4 and S8 categories. See [anadahemp.com.au](http://anadahemp.com.au).

Hemp Black is an industrial business focused on textiles and bioplastics, with specialist capabilities in yarn extrusion, knitting, and polymer compounding. We use innovative hemp-based composite technology to help de-carbonise consumer products and supply chains for various industries. See [hempblack.com](http://hempblack.com).

**Authorisation**

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



# ECOFIBRE

## SHARE PURCHASE PLAN OFFER BOOKLET

This is an important document for existing Shareholders of Ecofibre.

The offer does not take into account the individual investment objectives, financial situation or particular needs of each Eligible Shareholder. Accordingly, before making a decision whether or not participate in the Offer, you should consult your financial or other professional adviser.

This document is not a prospectus or other disclosure document under the Corporations Act.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO US PERSONS.

## Table of Contents

Key Offer Information	1
Letter from the Chairman	2
Background to the Offer	3
Frequently Asked Questions	4
Investment Risks	5
Terms and Conditions	6
Appendix, Investment Risks	7

# 1. Key offer information

## Key dates

Event	Date
Record date for determining eligible shareholders	Wednesday 23 August 2023
Announcement of the Share Purchase Plan	Thursday 24 August 2023
Offer opening date and Dispatch of Share Purchase Plan Booklet	Friday 25 August 2023
Offer closing date	Friday 15 September 2023
Announcement of Share Purchase Plan results Issue of New Shares Allotment of New Shares Application for quotation of New Shares	Friday 22 September 2023
Commencement of trading of New Shares	Monday 25 September 2023

The timetable is indicative only and Ecofibre may, at its discretion, vary any of the above dates by sending a revised timetable to ASX, withdraw or vary the Share Purchase Plan or accept applications received after the closing date (in each case subject to the ASX Listing Rules and the Corporations Act 2001). New Shares issued under the Share Purchase Plan will be issued as soon as practicable after the offer closes. Application for quotation on ASX of the New Shares will be made immediately following the issue of those Shares.

Defined terms and abbreviations used in this document are set out in Clause 23 of the Terms and Conditions in Section 6.

## Important notices and disclaimers

The offer contained in this document is not a recommendation to purchase Ecofibre shares. If you are in any doubt about the Offer, you should consult your financial or other professional adviser.

If you apply to participate in the Offer by making a Bpay®<sup>1</sup> payment or completing and returning the Application Form with an EFT, you are accepting the risk that the market price of Shares may change between the date of the Offer and the Issue Date. This means it is possible that up to or after the Issue Date, you may be able to buy Shares at a lower price than the Offer Price.

Participation in the Offer is not being offered, directly or indirectly, in the United States or to any person that is, or is acting for the account or benefit of, a US Person. This document and any related

<sup>1</sup> ® Registered to BPAY Pty Limited ABN 69 079 137 518.

New Zealand based shareholders can only apply using BPAY® if they have an Australian bank account.

offering documents must not be mailed or otherwise transmitted or distributed in or into the United States or to any person that is, or is acting for the account or benefit of, a US Person.

Ecofibre recommends that you monitor its announcements and the Share price, which can be found on the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: EOF).

This Offer does not provide financial advice and has been prepared without taking into account the individual investment objectives, financial situation or particular needs of each Eligible Shareholder.

## Questions

Any queries regarding the Offer should be directed to the the Company's Share Registry, Link Market Services, at 1300 369 266 if calling within Australia or +61 1300 369 266 if calling from outside of Australia from 8.30 am to 5.30 pm (AEST).

## 2. Letter from the Chairman

Dear Shareholder,

On behalf of the Board of Directors of Ecofibre Ltd ("**Ecofibre**"), I am pleased to offer you the opportunity to apply for up to \$30,000 worth of New Shares at approximately 12% discount to the volume weighted average price of the Company's Shares on ASX in the 5 trading days before the announcement of the Ecofibre Share Purchase Plan ("**SPP**"), subject to the Terms and Conditions detailed in this document.

Ecofibre is seeking to raise up to a maximum of \$1,000,000 under the SPP which together with the planned institutional placement will provide growth working capital, including working capital for implementation of new Hemp Black global commercial partnerships.

The issue price of \$0.18 per New Share represents an approximate 12% discount to the volume weighted average market closing price ("**VWAP**") over the 5 ASX trading days immediately preceding the Announcement Date, Thursday 24 August 2023, on which Ecofibre's Shares were traded. The Offer will open on Friday 25 August 2023 and is scheduled to remain open until 5.00 pm (AEST) on Friday 15 September 2023. Ecofibre may, at its discretion, vary any of the above dates by sending a revised timetable to ASX. Participation in the SPP is voluntary and is open to holders of fully paid ordinary shares in Ecofibre on 23 August 2023 who have a registered address in Australia or New Zealand and who are not excluded from participation.

Ecofibre may in its discretion undertake a scale back of applications for New Shares. Therefore, you may receive less than the parcel of New Shares for which you have applied. Should this happen, the balance of any application money that is not applied to acquire New Shares will be refunded to you, without interest. Full details of the Offer and how to participate are contained in the Terms and Conditions in Section 6 of this document which I encourage you to read and consider carefully. If you have any questions, please contact the Company's Share Registry, Link Market Services, at 1300 369 266 if calling within Australia or +61 1300 369 266 if calling from outside of Australia from 8.30 am to 5.30 pm (AEST).

The Directors recommend this offer under the SPP and welcome your ongoing support.

Yours sincerely,

Dated: 25 August 2023



**Vanessa Wallace**  
Chairman

### 3. Background to the offer

Ecofibre operates three businesses in the United States and Australia:

- *Hemp Black* - an industrial business focused on textiles and bioplastics, with specialist capabilities in yarn extrusion, knitting, and polymer compounding.
- *Ananda Health* - a leading US manufacturer of hemp-based nutraceuticals for the professional market, producing CBD products for human and pet consumption and topical health and beauty products.
- *Ananda Food* - low-cost manufacturer of high-quality hemp food products in Australia, as well as hemp fibre seed to growers in the United States and Australia.

#### Highlights from FY23 Results

<b>Revenue</b> up 8% from \$30.2m to <b>\$32.5m</b>	<b>Cash</b> unchanged at <b>\$7.3m</b>
<b>Cost Savings 1H23 vs 2H23<sup>1</sup></b> down 27% <b>\$11.0m</b>	<b>Cash Savings 1H23 vs 2H23<sup>2</sup></b> down 25% <b>\$8.8m</b>
<b>EBITDA FY22 vs FY23<sup>3</sup></b> up from -\$17.2m to <b>-\$13.2m</b>	<b>EBITDA 1H23 vs 2H23<sup>3</sup></b> up from -\$8.6m to <b>-\$4.6m</b>

Ecofibre is seeking additional working capital to invest in new growth opportunities, particularly in the Hemp Black business.

In the year ended 30 June 2023 (FY23), Ecofibre refocused the business and reset the cost base, targeting positive operating cash flow in FY24. Non-core business lines were closed, and the business delivered \$11m in annualized cost savings (\$8.8m in cash cost savings).

FY23 revenue growth of 8% was strongly supported by existing Hemp Black business lines. Hemp Black revenues grew by 26% (mainly the Turf and Biomedical yarn business lines). Ananda Health delivered flat revenues despite industry headwinds in the US, and the Ananda Food business lost revenues of totaling ~\$3m from US planting seed sales due to weather-related crop loss in the US.

In FY24, the business is focused on implementing quality new customer partnerships, particularly in the Hemp Black business. This capital raise will provide growth working capital. Per recent ASX announcements the details include:

- MOU for a 3-year specialty yarn supply partnership. Expected FY24 revenue of c\$5m with annual revenue of \$9m at full capacity. Growth from a second machine is expected within the next 12-18 months.
- Bio-degradable packaging manufacturing to commence in 1Q24 and contribute further revenue growth in FY24 and beyond

Please refer to Ecofibre's Investor website to access further information on the business, including the FY23 financial results and investor presentation.



## 4. Frequently asked questions

Set out below are answers to some key questions that you may have about the Offer. This table is qualified by and should be read in conjunction with the Terms and Conditions in Section 6.

Question	Answer
What is the Offer?	<p>The Offer enables Eligible Shareholders to apply to purchase up to \$30,000 worth of ordinary shares in Ecofibre at \$0.18 per share.</p> <p>The purchase price of \$0.18 per Share is at a 12% discount to the volume weighted average market closing price over the 5 ASX trading days immediately preceding the Announcement Date, 24 August 2023, on which Ecofibre shares were traded.</p>
Am I eligible to participate?	<p>You are eligible to participate if you fulfil the criteria set out in Clause 2 of the Terms and Conditions in <b>Section 6</b>.</p> <p>For you to be eligible to participate in the Offer, you must have been a holder of Ecofibre shares at 7.00 pm (AEST) on 23 August 2023 (<b>Record Date</b>) and your registered address must be in Australia or New Zealand.</p> <p>If you are a nominee or custodian holding shares on behalf of one or more beneficial holders, you may also apply to purchase up to \$30,000 worth of shares on behalf of each beneficial holder, subject to complying with the criteria set out in <b>Clause 2</b> of the Terms and Conditions in Section 6.</p>
Do I have to participate?	<p>Participation is optional.</p> <p>Before deciding whether or not to participate in the Offer, Ecofibre recommends seeking independent financial advice from your professional adviser.</p>
Can I transfer my entitlement to participate?	<p>If you are eligible to participate in the Offer, you cannot transfer your right to purchase shares under the Offer to anyone else.</p>
How do I apply?	<p>To apply for shares under the Offer you can either:</p> <p><b>Option 1: Pay by Bpay®</b>            Make payment by Bpay as shown on the Application Form.            New Zealand based shareholders can only apply using Bpay if they have an Australian bank account.</p>

	<p><b>Option 2: Pay by EFT</b></p> <p>Complete and return the enclosed Application Form together with an EFT made payable to “Ecofibre Share Purchase Plan” as shown on the Application Form.</p>
What is maximum investment for each shareholder?	The maximum investment for each shareholder is \$30,000.
How many shares will I receive?	<p>You may apply for a parcel of shares under the Offer equal to an application amount set out in Clause 6 of the Terms and Conditions of this document.</p> <p>The Offer Price for New Shares will be \$0.18.</p> <p>Ecofibre may in its discretion undertake a scale back of applications for New Shares. Therefore, you may receive less than the parcel of New Shares for which you have applied. Details about any scale back are set out in Clause 10 of the Terms and Conditions. If applications are scaled back, excess funds will be returned to applicants without interest.</p>
When will I receive my shares?	Ecofibre intends to issue New Shares on 22 September 2023 ( <b>Issue Date</b> ). Holding statements in respect of those New Shares are to be dispatched by 25 September 2023. However, these dates are indicative and Ecofibre may, at its discretion, vary the Issue Date by sending a revised timetable to ASX.
When can I trade allocated shares?	You can trade your New Shares after the Issue Date. However, given the possibility that applications may be scaled back, you should confirm your holding on or after the Issue Date before trading any New Shares you believe you have acquired under the Offer.
What will funds raised under the Share Purchase Plan be used for?	Proceeds of the Offer for working capital purposes, including implementation of new Hemp Black global commercial partnerships.

## 5. Investment Risks

Any investment, including New Shares issued under this Share Purchase Plan, or other shares or security interests in the Company, carries investment risk and the Directors strongly urge potential investors to consider the risk factors described below, together with other information provided by or otherwise available regarding the Company and to consult with their professional advisers before deciding whether to apply for New Shares or to otherwise invest in the Company.

There are a number of risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance of the Company and the value of its Shares. Some of these risks may be mitigated by the Company's internal controls and processes, but many are outside the control of the Company, the Directors and management. There can be no assurance that the Company will achieve its stated objectives or that any forward-looking statements will eventuate.

Investors should have regard to their own investment objectives and financial circumstances, and should seek professional guidance from their stockbroker, accountant, financial or other professional adviser before deciding whether to invest in the Company.

Some of the factors which investors should consider before they make a decision whether or not to apply for New Shares or invest in the Company include, but are not limited to, the risks in this Section. These risk factors should not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. These risks, and others not expressly referred to, may materially affect the future financial and operational performance of the Company and the value of any investment in the Company.

There may be other risks of which the Directors are unaware of at the time of issuing this Share Purchase Plan Offer Bookless which may impact on the Company, its business and/or the valuation and performance of the existing or New Shares.

Therefore, existing or New Shares carry no guarantee with respect to the payment of dividends, returns of capital or market value.

The Appendix to this booklet provides an overview and non-exhaustive list of financial, strategic, operational and other risks faced by the Company. The Appendix is part of and integral to this document.

## 6. Terms and Conditions

### 1. Offer

The Offer entitles Eligible Shareholders to apply to purchase up to \$30,000 worth of Shares in Ecofibre at \$0.18 per share.

### 2. Eligibility to participate

- 2.1. You are eligible to participate in the Offer if you were a registered holder of Shares at 7.00pm (AEST) on 23 August 2023 (**Record Date**) with an address on the share register in Australia or New Zealand, unless:
  - (a) you hold Shares on behalf of another person who resides outside Australia or New Zealand; or
  - (b) you are, or are acting for the account or benefit of, a US person.
- 2.2. Ecofibre has determined that it is either unlawful or impracticable for holders of Shares with an address in jurisdictions outside Australia and New Zealand to participate in the Offer. The Offer does not constitute an offer of Shares in any jurisdiction other than Australia and New Zealand.
- 2.3. If you are the only registered holder of a holding of Shares, but you receive more than one offer (for example, due to multiple registered holdings), you may only apply in aggregate for one maximum parcel of New Shares.
- 2.4. Joint holders of Shares will be taken to be a single registered holder of Shares for the purposes of determining whether they are an Eligible Shareholder and a certification under Clause 7(j) by one joint holder will be effective in respect of the other joint holder(s).
- 2.5. If you are a Custodian for a beneficiary or beneficiaries, you may apply for one maximum parcel of New Shares for each beneficiary (or if you are a Custodian for two or more joint beneficiaries, for each such holding as if it was held by a single person). Further information in relation to how Custodians may apply for New Shares is set out in Clause 7.2
- 2.6. Directors and employees of Ecofibre who hold Shares may be Eligible Shareholders.

### 3. Rights are non-renounceable

If you are an Eligible Shareholder, your rights under the Offer are personal to you and are non-renounceable, which means that you cannot transfer your rights to another person.

### 4. Offer price and price risk

The Offer Price for New Shares is \$0.18 per share, which is at a 12% discount to the volume weighted average market closing price over the 5 ASX trading days immediately preceding the Announcement Date, 24 August 2023, on which Ecofibre shares were traded.

You should note that the price of Ecofibre Shares may rise or fall between the date of this Offer and the date when New Shares are issued to you under the Offer. This means that the price you pay per New Share pursuant to this Offer may be either higher or lower than the Ecofibre share price at the time of the Offer or at the time the New Shares are issued to you under the Offer.

### 5. Timing

- 5.1. The Offer opens on 25 August 2023 and closes on 15 September 2023, unless extended. Ecofibre proposes to issue New Shares on 22 September 2023 and send written confirmations to shareholders by 25 September 2023.
- 5.2. Ecofibre reserves the right to extend the Offer, or the proposed Issue Date at any time by making an announcement to ASX.

### 6. Applying for New Shares

- 6.1. The Application amounts are A\$1,000, A\$2,500, A\$5,000, A\$7,500, A\$10,000, A\$15,000, A\$20,000, A\$25,000 or A\$30,000. The minimum application amount is \$1,000. Ecofibre reserves the right to accept applications outside of these set application amounts. The maximum investment under the Offer is \$30,000.
- 6.2. The number of New Shares is rounded up to the nearest whole number after dividing the application money received by the Offer Price.
- 6.3. You may not spend more than \$30,000 applying for New Shares in aggregate under the Offer, even though you may receive more than one offer, or offers in more than one capacity, under the Offer.
- 6.4. If you wish to apply for New Shares under the Offer you should either:

- (a) pay directly via BPAY® on the internet or by telephone, using your unique Customer Reference Number and the Biller Coder details on the Application Form (New Zealand based shareholders need to have an appropriate Australian bank account to apply using BPAY).<sup>2</sup> The Application Form does not need to be returned in this case; or
  - (b) complete the Application Form and forward it with your payment by EFT in Australian dollars made payable to “Ecofibre Share Purchase Plan” to the Share Registry, at the address set out on the Application Form.
- 6.5. Do not forward cash. Receipts for payment will not be issued.
- 6.6. Funds paid via BPAY or Application Forms (with application payments) must be received by the Share Registry by **5.00pm (AEST) on 15 September 2023**. Ecofibre may reject applications received after this time. If your EFT does not clear, your application will not be accepted and you agree to be responsible for any dishonour fees or other costs incurred.
- 6.7. If your Application Form or application is incomplete, contains errors or is otherwise invalid or defective, Ecofibre may, in its sole discretion, accept, reject, correct or amend your application, issue such number of New Shares to you as it considers appropriate, refund your application money, or take any combination of these actions. Any necessary refund will be paid to you shortly after the close of the Offer. No interest will be paid on any refunded application money.
- 6.8. You cannot withdraw or revoke your application once you have sent in an Application Form or paid via BPAY.

## 7. Effect of making an application

- 7.1. If you submit a Bpay payment or complete and return the Application Form:
- (a) you will be deemed to have represented and warranted that you are an Eligible Shareholder, you have read and understood these Terms and Conditions and you subscribe for New Shares in accordance with these Terms and Conditions;
  - (b) you authorise Ecofibre to correct minor errors in your Application Form and to complete the Application Form by inserting any missing minor details;
  - (c) you acknowledge that the market price of Shares may rise or fall between the date of this offer and the Issue Date and that the Offer Price you pay for the New Shares may exceed the market price of the Shares on the Issue Date;

---

<sup>2</sup> Applicants should be aware that their own financial institution may implement earlier cut off times with respect to electronic payment, and should take this into consideration when making any electronic payment. It is the responsibility of the applicant to ensure that funds submitted through Bpay are received in time.

- (d) you accept the risk associated with any refund that may be dispatched to you at your address as shown on the share register;
- (e) you are responsible for any dishonour fees or other costs Ecofibre may incur in presenting a payment which is dishonoured;
- (f) you acknowledge that the New Shares have not, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia or New Zealand, and accordingly, the New Shares purchased under the Offer may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- (g) you represent and warrant that you are not a US Person, and are not applying under the Offer for or on behalf of a US Person;
- (h) you represent and warrant that you have not and will not send any materials relating to the Offer to any person in the United States that is, or is acting for the account or benefit of, a US Person;
- (i) you acknowledge that you have not been provided with investment advice or financial product advice by Ecofibre or the Share Registry; and
- (j) you certify that you have not applied for, or instructed a Custodian to apply on your behalf for, New Shares with an application price which, when aggregated with the application price for any Shares issued to you or a Custodian on your behalf under the Offer or any similar Ecofibre arrangement in the 12 months prior to your application, exceeds \$30,000. This certification by one joint holder of Shares will be effective in respect of the other joint holder(s).

7.2. If you are a Custodian, you certify:

- (a) that as at the Record Date, you hold Shares on behalf of one or more beneficiaries, and that those beneficiaries have instructed you to apply for New Shares;
- (b) details of the number of beneficiaries who have instructed you to apply for New Shares on their behalf, their names and addresses, the number of Shares you hold on their behalf and the number of New Shares they have instructed you to apply for are correct;
- (c) you have not applied for New Shares on behalf of any beneficiary with an application price which, when aggregated with the application price for any

Shares issued to you on behalf of that beneficiary under the Offer or any similar Ecofibre arrangement in the 12 months prior to your application, exceeds \$30,000; and

- (d) you hold an Australian financial services licence that covers the provision of a custodial or depositary service (within the meaning given by Section 766E of the Corporations Act or includes a condition requiring the holder to comply with the requirements of ASIC class order 13/763 (or is exempt from the requirement to hold an Australian financial services licence as described in the Class Order).

7.3. Custodians wishing to participate on behalf of one or more beneficiaries and are uncertain about how to do so should contact the Share Registry to obtain more information on how to apply and the form of certification to be given.

7.4. Please note that if you hold Shares in the capacity of a trustee or a nominee for another person but you do not hold an Australian financial services licence of the kind described in Clause 7.2 above and you are not exempt from the requirement to hold such a licence as described in the Class Order, you cannot participate for beneficiaries in the manner outlined in Clause 7.2 above. In this case, the rules for multiple registered holdings as described in Clause 2.3 apply.

## 8. Effect of making an application

New Shares issued under the Offer will rank equally with existing Shares and will carry the same voting rights, dividend rights and other entitlements as at the Issue Date.

Ecofibre will apply for the New Shares to be quoted on ASX.

## 9. Costs of participation

9.1. If required, a stamping fee will be paid to licensed financial service providers on stamped applications.

9.2. In the event of a change in legislation so that at the date of any issue or allotment of New Shares under the Offer, stamp duty or any other tax or duty is payable on those New Shares, the amount of that stamp duty or other tax or duty must be:

- (a) paid by the Eligible Shareholder to whom the New Shares are issued; and
- (b) in respect of each of those New Shares, included in the calculation of the Issue Price.

## 10. Applications may be scaled back



- 10.1. Ecofibre reserves the right to close the Offer early, accept applications under the SPP in excess of the \$1,000,000 amount or to scale back applications in its sole discretion. The aggregate number of New Shares that will be issued under the SPP will not exceed 30% of Ecofibre's issued Shares.
- 10.2. If applications are scaled back, Ecofibre may in its absolute discretion apply the scale back to the extent and in any manner that it sees fit. If the scale back produces a fractional number of New Shares when applied to your parcel, the number of New Shares you will be issued will be rounded down to the nearest whole number of New Shares.
- 10.3. In the event of a scale back, the difference between the application monies received, and the number of New Shares issued to you multiplied by the Offer Price, will be refunded by Ecofibre, without interest, following the issue of the New Shares.

## 11. Shortfall

There will be a shortfall if less than 5,555,556 New Shares are subscribed for by Eligible Shareholders. In this event, and subject to any necessary shareholder approval, the shortfall may be placed to sophisticated, professional and other investors who are exempt from the disclosure requirements under Chapter 6D of the Corporations Act.

## 12. Refunds

- 12.1. Refunds pursuant to the Offer may be paid under various circumstances. For example, if applications are made incorrectly the entire payment may be refunded, or if allocations are scaled back a partial refund may be made.
- 12.2. If a refund is made, payment will be made either by direct credit or cheque mailed to your address as shown on the company's Share Register.
- 12.3. You will not receive any interest on funds refunded to you.
- 12.4. Any refund made to you is dispatched at your risk.

## 13. United States

- 13.1. Participation in the Offer is not being offered, directly or indirectly, in the United States or to any person that is, or is acting for the account or benefit of, a US Person. This document and any related offering documents must not be mailed or otherwise transmitted or distributed in or into the United States or to any person that is, or is acting for the account or benefit of, a US Person. Participation in the Offer, directly or indirectly, in violation of these restrictions is not permitted, and any such participation will be invalid.

13.2. This document is not an offer of securities for sale in the United States or to any person that is, or is acting for the account or benefit of, a US Person. Ecofibre Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or delivered, directly or indirectly, in the United States or to any person that is, or is acting for the account or benefit of, a US Person, except in accordance with an available exemption from registration.

13.3. Because of the legal restrictions summarised above, you must not send copies of any Offer materials to any of your clients (or any other person) in the United States or to any person that is, or is acting for the account or benefit of, a US Person. Consistent with the warranties set out above, you are also advised not to submit any Application Form or make payment by BPAY or otherwise in respect of the purchase of New Shares under the Offer on behalf of any of your clients (or any other person) in the United States or that is, or is acting for the account or benefit of, a US Person. Failure to comply with these restrictions may result in violations of applicable securities laws.

#### 14. New Zealand

14.1. The New Shares are not being offered or sold to the public within New Zealand other than to Eligible Shareholders with registered addresses in New Zealand to whom the offer of New Shares is being made under the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

14.2. This Offer has not been registered, filed with or approved by any New Zealand regulatory authority. This Offer is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

#### 15. Taxation

None of Ecofibre, its officers, employees, advisers or agents makes any representations or warranties about, and accepts no responsibility for, the liability of Eligible Shareholders to pay income tax in respect of any issue of New Shares, payment or other transaction under the Offer.

#### 16. Dispute Resolution

Ecofibre reserves the right to settle in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Offer and the decision of Ecofibre will be conclusive and binding on all shareholders and other persons to whom the determination relates.

#### 17. Waiver, amendment, suspension and termination

17.1. Ecofibre may, in its discretion, waive compliance with any provision of these Terms and Conditions, amend or vary these Terms and Conditions or suspend, withdraw or terminate the Offer at any time. Any such waiver, amendment, variation, suspension, withdrawal or termination will be binding on all Eligible Shareholders even where Ecofibre does not notify you of the event.

17.2. Ecofibre is not liable for loss, cost or expense arising out of any exercise of its discretions under these Terms and Conditions.

## 18. ASIC relief

The Offer is made in accordance with the Class Order. The Class Order grants relief from the requirement to prepare a prospectus for the offer of New Shares with an application price that does not exceed \$30,000 for each shareholder under the Offer, subject to certain terms and conditions.

## 19. Governing law

These Terms and Conditions are governed by the laws in force in Queensland and Eligible Shareholders submit to the jurisdiction of the Courts of Queensland in relation to the Offer and all matters pertaining thereto.

## 20. Binding terms

By accepting the offer to purchase New Shares under the Offer, you agree to be bound by these Terms and Conditions and the constitution of Ecofibre.

## 21. Reliance on Terms and Conditions

These Terms and Conditions have been prepared in accordance with ASIC Class Order 09/425, which relates to share purchase plans that do not require a prospectus or disclosure document. Accordingly, the level of disclosure in these Terms and Conditions is considerably less than the level of disclosure required in a prospectus or other disclosure document.

Nothing in these Terms and Conditions constitutes financial or investment advice. In deciding whether or not to participate in the SPP, you should rely on your own knowledge of Ecofibre, refer to disclosures made by Ecofibre to ASX (which are available for inspection on ASX's website at [www.asx.com.au](http://www.asx.com.au) and on Ecofibre website at <https://ecofibre.com/>) and seek the advice of your professional adviser.

## 22. Privacy Notification

Ecofibre and the Registry value your privacy and will take reasonable steps to protect your personal information in accordance with applicable data privacy laws and

regulations. Note, however, that Ecofibre and the Registry are located primarily in Australia and data privacy laws may be less strict in Australia than those of the country in which you reside when you receive this Offer.

This privacy statement sets out how information about you will be collected, held, used and disclosed to and accessed by third parties during your participation in the SPP and while you hold Shares.

Ecofibre and the Registry are bound by the Privacy Act 1988 (Cth) in relation to the collection, use and disclosure of any personal information about you. Chapter 2C of the Corporations Act requires personal information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. If we are unable to collect this personal information about you, you will be unable to participate in the SPP. This personal information must continue to be included in the public register if you cease to be a shareholder.

### 23. Definitions

In this document the following terms have these meanings:

Definition	Meaning
<b>AEST</b>	Australian Eastern Standard Time.
<b>Application Form</b>	The application form which accompanies this Share Purchase Plan Offer
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited or the Australian Securities Exchange, as the context requires.
<b>Class Order</b>	ASIC class order CO 09/425.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Custodian</b>	The meaning given in the Class Order.
<b>Ecofibre</b>	Ecofibre Limited ACN 140 245 263.
<b>Eligible Shareholder</b>	A person who is eligible to participate in the Offer in accordance with <b>Clause 2</b> of the Terms and Conditions.

<b>Issue Date</b>	The date the New Shares are issued, expected to be 22 September 2023.
<b>New Shares</b>	The Shares offered in the Share Purchase Plan Offer.
<b>Offer</b>	The offer of New Shares in the Share Purchase Plan Offer.
<b>Offer Price</b>	\$0.18 per New Share.
<b>Record Date</b>	23 August 2023
<b>Share Purchase Plan Offer</b>	This document.
<b>Terms and Conditions</b>	The terms and conditions of the Offer set out in Section 6 of this Share Purchase Plan Offer.
<b>US Person</b>	A "U.S. person" as defined in <i>Regulation S</i> under the <i>US Securities Act of 1933</i> .
<b>US Securities Act</b>	<i>US Securities Act of 1933</i> .

## 7. Appendix, Investment Risks

### 7.1 Financial Risks

#### 7.1.1 *Uncertainty of future profitability, revenue and costs*

Ecofibre operates 3 business lines. Hemp Black and Ananda Health are the two main businesses and operate principally in the United States. Ananda Food operates principally in Australia and also sells hemp planting seed in the United States, and is substantially smaller than Hemp Black and Ananda Health.

The Company is not currently generating positive cashflow from its operations, and the future profitability and cash contribution of each business line (and therefore, Ecofibre) will depend on successful implementation of its business plan for each business lines, including revenue growth in each business together with strong control of manufacturing, operating and capital costs.

#### 7.1.2 *Growth risk*

Ecofibre has a number of strategies in each of its businesses lines to support future growth and earnings that depend on future events. There is a risk that the Company may select the wrong strategies or poorly execute its strategies. Either of these risks could result in lost revenues, lower margins, delays or cost overruns. There is no guarantee that any strategy will generate the anticipated commercial benefits.

The future profitability of Ecofibre is contingent on many factors and may be impacted by adverse developments relating to the market for its products generally, including polymers, yarns, hemp derived CBD products or hemp foods. As a result, anticipated development milestones or sales may not be achieved and even if achieved, may not result in Ecofibre being or returning to profitability.

Ecofibre's business growth plan is also contingent, among other things, on successfully building new internal production capacity or increasing utilisation of existing production capacity through sales growth in each of its businesses. If it fails to build this capacity or if it develops slower than anticipated, there may be an adverse impact on the profitability of Ecofibre, its financial performance and its ability to pay dividends.

Since the growth of the business relies heavily on ongoing product, manufacturing and market innovation, including significant ongoing investments in Research and Development, these growth risks are amplified.

For example, Ecofibre has recently announced new supply partnerships with Under Armour and Cruz Foam, and is also considering new supply partnerships with other customers. Successful delivery of such projects (on time, on budget, and otherwise to the mutual satisfaction of Ecofibre and its customers) is subject to greater risk than the supply of existing products to existing long term customers.

### *7.1.3 Cost management risk*

Ecofibre seeks to closely manage manufacturing, operating and capital costs, however new opportunities or the realisation of known or unknown risks will impact the Company's cost base. The Company may or may not be able to mitigate any such impacts, including the impact of inflation on key input costs.

The Company intends to separately manage and finance expenditure for its EOF-Bio business (discussed further below).

### *7.1.4 Financing risk*

Ecofibre's current growth plans require additional working capital. The Company also continues to undertake capital investment in each business, with a current focus on the Hemp Black business line.

The funds to be raised under this SPP and the contemporaneous institutional placement are considered sufficient to meet Ecofibre's current objectives. However, sufficient funding may not be obtained, or additional funding may be required in the event that costs exceed Ecofibre's expectations, or if further or different opportunities arise for capital expenditure.

Ecofibre may seek or need to raise additional funds via equity financing, debt financing or licensing arrangements. Failure to obtain sufficient funding in those circumstances may result in delay and indefinite postponement of Ecofibre's activities. There can be no assurance that additional financing will be available when needed, on terms appropriate to Ecofibre's or that do not involve substantial dilution to Shareholders.

Ecofibre has debt obligations to three external parties, including one lender in the United States who has a security interest in each of the three property assets owned by the Ecofibre Group.

Financing existing and future obligations is dependent on one or more of the following: returning its businesses to cash positive operations, the sale of non-core equipment, business lines or other assets, availability of vendor or other third-party equipment financing, the Company's ability to refinance or rollover existing debt facilities, or to raise equity capital.

The Company has signed a Memorandum of Understanding with Under Armour pursuant to which it intends to finalise vendor finance terms on equipment recently supplied and currently being installed at the Company's premises in Greensboro, North Carolina.

### *7.1.5 Currency risk and lack of hedging*

Ecofibre is exposed to foreign currency risk, mainly through its foreign currency cash balances, receivables and payables denominated in foreign currencies and other assets and financial instruments held by overseas operations. Ecofibre's exposure mainly arises from fluctuations in the exchange rate between the US dollar (USD) and the Australian dollar (AUD).

Where possible, the Company seeks to match assets and liabilities, and cashflows, in the same currency to provide a natural hedge against the value of its obligations, however currency risk is not always mitigated or offset. Ecofibre does currently not have any contacts in place to specifically hedge currency exposures, but this may change if the Directors form the view that the cost and benefit of such arrangements is appropriate.

#### *7.1.6 Asset valuation and realisation*

There is a risk that the value of the Company's assets may be less than stated, and any surplus or disposed assets may not realise their disclosed or desired values.

Ecofibre conducts annual reviews of the value of its assets, including reviewing asset balances for potential indications of impairment. Such reviews require assessment of a large number of factors which in many cases are subjective and outside the control of the Company. In the 2023 financial year, the Company recognised impairments against the book value of a number of assets including plant and equipment, patents, software and web development, inventory (finished goods, work in progress and raw materials) and the value of carried forward tax losses and tax timing differences.

In some cases, for instance Goodwill, the Company provides further detail on the assumptions used in its review. Investors should review all such disclosures and where necessary take advice from suitably qualified advisors to form their own assessment on potential growth rates, risks, valuation and other matters.

#### *7.1.7 Corporate and business taxation*

Ecofibre is subject to a range of taxation obligations, potentially including income taxes (Australia, US federal, state, county and municipal income taxes), indirect taxes (Australian Goods and Services Tax, and sales and use taxes levied by individual states in the US), payroll taxes, superannuation and pension obligations, property taxes and other taxes and levies. There is also a tax treaty in existence between Australia and the US.

The Company uses specialist taxation advisors to plan and manage its taxation obligations.

Interpretation of such treaties and associated international tax laws is highly complex and subject to varying and sometimes, uncertain interpretations over time. Any change to the content, interpretation or application by the relevant tax authorities of such treaties or laws that is contrary to Ecofibre's view of those treaties or laws may reduce the value of Ecofibre's carried forward tax losses, increase the amount of tax to be paid by Ecofibre, or impact on Shareholders' ability to access any franking credits.

There is the potential for changes to any domestic tax laws. Any change to the current rates of taxes imposed on Ecofibre is likely to affect returns to Shareholders.

Any change in tax rules and tax arrangements or their implementation could have an adverse effect on the level of shareholder returns.



### *7.1.8 Insurances*

Ecofibre maintains insurance where it is considered appropriate for the Company's needs, and it is cost effective and available.

Ecofibre cannot reasonably insure against all risks, either because appropriate or necessary cover is not available or because the Directors consider the required premiums to be excessive in relation to the benefits that would accrue.

If Ecofibre incurs losses or liabilities for which it is uninsured, the value of its assets and its ongoing cash flows may be at risk.

### *7.1.9 Counterparty and credit risk*

Ecofibre's operations require the involvement of a number of third parties, including customers, suppliers and contractors. Financial failure, default or contractual non-performance on the part of such third parties, including late payment of amounts owing to the Company or failure to pay such amounts, may have a material impact on the operations and performance of the Company.

## **7.2 Strategic Risks**

### *7.2.1 Strategy and execution*

Ecofibre's three business lines are implementing business models and business strategies to deliver the Company's strategic, operational and financial targets.

The implementation of these strategies may or may not be successful, and the business line or group strategies may change over time as the Company identifies new opportunities and risks over time in its customer markets and business operations.

### *7.2.2 Sector exposure*

A significant portion of Ecofibre's business model is based on polymers, yarns, hemp derived CBD and hemp foods. As such, Ecofibre is materially exposed to any adverse conditions or events that may impact these industries or parts thereof in which Ecofibre operates.

The Company regularly reviews its businesses and the markets in which they operate, and it may decide to increase investment or divest subscale or underperforming businesses or assets over time. For example, the Company's food business is relatively small compared its Hemp Black and Ananda Health businesses.

The Company may also choose to divest assets for which it can identify an active market to generate funds for other priorities, or to achieve its cash positive operating objective. For example, the Company may seek sell the rights to one or more of its hemp seed genetics in one or more regions in order to focus on other opportunities.

### *7.2.3 R&D and innovation risk*

Each of Ecofibre's business lines invest in Research and Development (R&D) to build long term competitive advantage in their respective markets. The outcomes of R&D and subsequent commercialisation efforts are inherently uncertain.

Should Ecofibre fail to develop new technologies and products, or anticipate or react to changes in existing technologies, either within or outside of its industry, development of new products may be materially delayed, which could result in a reduction in net sales and a loss of market share, with materially adverse impacts on the Company.

Ecofibre has specifically sought to mitigate the risks associated with clinical trials and potential commercialisation of new pharmaceutical drugs in relation to gynaecological disorders, cancers and similar conditions by established a new entity, EOF-Bio, which has a dedicated financial, management, governance and business model designed for this purpose. However this work remains at an early-stage and the outcome of current and future fund raising efforts, and also investment outcomes, are uncertain.

### *7.2.4 Intellectual property protection*

To the extent that Ecofibre relies upon its own or exclusively licensed intellectual property to conduct its business, it will need to protect its intellectual property. However, there may be circumstances where Ecofibre's intellectual property and related licences cannot be protected or are subject to unauthorised disclosure, infringement or challenge by a third party.

If Ecofibre fails to protect any material intellectual property or licence, this may lead to a loss of opportunities and adversely impact on Ecofibre's operating results and financial position.

In addition, there can be no assurance that Ecofibre's intellectual property rights now and in the future will afford it a competitive advantage, commercially significant protection of the relevant intellectual property, or that any of the products that may arise from the intellectual property will have commercial application.

Any challenge to Ecofibre's intellectual property position, including its patents and patent applications, would divert the limited resources of Ecofibre away from its primary development program and may result in Ecofibre requiring additional funds to complete that program. It may also result in Ecofibre being unable to fully utilise its intellectual property portfolio or being required to licence certain intellectual property to conduct its development program in a manner which will allow commercialisation of its products, which may reduce the profits available from such activities.

There is always a risk of third parties claiming involvement in or superior rights to technological discoveries. Further, competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patent disputes, for which there can be no guaranteed outcome. Some parties may be able to utilise their greater financial resources to sustain the costs of litigation or proceedings.

Ecofibre may incur significant costs in asserting its rights in such circumstances. Even a registered patent can be invalidated in certain circumstances and disputes may arise in future about termination or subsistence of Ecofibre's intellectual property licences. Although Ecofibre will seek to protect and enforce its intellectual property and related contractual rights, there can be no assurance that these measures will be successful.

Any loss of key intellectual property or related contractual rights of Ecofibre may materially adversely effect on Ecofibre's reputation, revenue and profitability.

In particular, the group's investment in EOF-Bio is dependent on the validity and value of patents, patent applications and other intellectual property developed and licensed to that entity.

## 7.3 Operational Risks

### 7.3.1 *Loss of key customers and distributors*

Ecofibre is taking steps to grow its key customer and distributor relationships. As its customer and distributor base grows, the Company may become less reliant on individual key customers and distributors.

In future, Ecofibre may lose key customers and distributors due to a range of events, including failure to renew a contract, weakening of relationships or disputes with customers, insolvency of customers, changes in the market or a lack of input supply.

The loss of any one or more of Ecofibre's material customer or distributor contracts may materially and adversely affect Ecofibre's revenue, profitability and growth, depending on the circumstances at the time.

For example, Ecofibre has advised the market of an expected temporary disruption to supply of Biomedical yarn to its key customer Intervascular during the first half of the 2024 financial year, which will significantly impact profitability during that period.

### 7.3.2 *Increased competition risk*

Ecofibre's chosen markets are subject to increasing domestic and international competition. While Ecofibre will undertake all reasonable due diligence in its business decisions and operations, the Company cannot influence or control the activities or actions of its competitors, whose activities or actions may adversely affect the operating and financial performance of Ecofibre.

Revenues or margins in the future may be reduced as industries consolidate or become more competitive and if the Company is required to protect revenue at the expense of profit margin.

Ecofibre's competitive position may be adversely impacted by an existing or new competitor who attempts to aggressively grow its business. If Ecofibre is not successful in competing in such an environment, this may impact Ecofibre's competitive position resulting in loss of market share, sales and margins and have an adverse impact upon Ecofibre's financial performance.

### 7.3.3 Uncontracted sales volumes risk

A material proportion of Ecofibre's revenue, including hemp-derived CBD product sales to pharmacies in the United States and Australia, hemp food sales in Australia, and the output of some production lines for the Hemp Black business in the United States, is derived from customer relationships that are un-contracted other than standard terms and condition or agreements that do not contractually guarantee sales volumes or exclusivity for Ecofibre.

There is a risk that these customer relationships may not be able to be maintained, or new relationships may not be formed on terms acceptable to the Company.

Additionally, given the nature of these contractual relationships, it is not possible for Ecofibre to contractually guarantee consistency of sales volumes, price or terms going forward.

### 7.3.4 Regulatory risk

Ecofibre's operations are subject to a variety of complex laws, regulations and guidelines in its markets, at federal, state and local levels. The regulatory environment for the hemp, nutraceutical, food, polymer, yarn and other relevant industries are evolving in the USA and Australia.

The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions that govern the operations or contractual obligations of Ecofibre, could impact adversely on the assets, operations, and the financial performance of Ecofibre and the industry in general.

In particular, the regulation of CBD products, including the approach of the U.S. Food and Drug Administration (FDA) and the Australian Therapeutic Goods Administration to the regulation of ingestible and topical CBD products for people and animals, is subject to ongoing change.

Hemp growing and the production of hemp goods are highly regulated by governments at multiple levels. Ecofibre's business is dependent on retaining the appropriate permits issued by the relevant authorities for the cultivation, manufacture and sale of hemp in Australia and the United States.

Any change to the regulatory systems in Ecofibre's markets that adversely impact on maintenance of Ecofibre's regulatory permits would materially adversely impact Ecofibre and its financial performance. There is also no guarantee that any licence or permit already issued to Ecofibre will not be revoked during the term of the relevant licence or permit, or that the licence or permit will be renewed for a further period of time or renewed on terms anticipated by Ecofibre.

### 7.3.5 Product quality and liability risk

As with all nutraceutical, food and textile products, there is a risk that the products sold by Ecofibre cause serious or unexpected side effects, including injury to consumers. This is particularly the case for ingestible products, or products such as vascular graft yarns which are used inside the human body.

Should any of Ecofibre's products be associated with quality issues or safety risks such as misuse or abuse, mislabelling, tampering or product contamination or spoilage, a number of materially adverse outcomes could occur, including:

- litigation or claims by the parties affected;
- regulatory authorities may revoke any approvals granted, impose more onerous regulatory requirements under any licence or approval, or force Ecofibre to conduct a product recall;
- regulatory action or being sued by the regulatory authority and being held liable for any harm caused to customers; or
- Ecofibre's brand and reputation being damaged.

Additionally, material risks to the health and safety of customers may force Ecofibre to voluntarily suspend or terminate sales and/or operations.

Regardless of insurance and quality standards applied by Ecofibre, as in any manufacturing concern, there remains a risk of defective products. These defects or problems could result in the loss or delay in revenue, or a material cost to Ecofibre.

### *7.3.6 Manufacturing and Infrastructure risks*

Ecofibre is dependent on the ongoing, efficient operation of its systems and infrastructure, including that provided by third parties such as governments and utilities companies. Risks that may threaten Ecofibre's operations include failure of critical machinery, interruption to the supply of power, gas or water supply and industrial action.

The operation of Ecofibre's manufacturing facilities involves risks to employees, contractors, and plant and equipment, including the risk of accidents arising from malfunction of equipment, natural disasters and force majeure.

Such events may not always be foreseen or insured against and are beyond Ecofibre's control. The occurrence of such events may result in damage to Ecofibre's operations or reputation and may have a material adverse effect on Ecofibre's revenue, profitability and growth.

Ecofibre's production activities are vulnerable to critical breakdowns, as a failure of one portion of the line can result in the entire line becoming idle. This poses a material potential financial risk to the Company. Ecofibre implements measures to mitigate this risk, to the extent practicable.

### *7.3.7 Supply chain risk*

Lead times for new machinery, parts, raw materials and other production inputs remain extended following the COVID-19 pandemic. Poor availability of such items may disrupt production schedules and higher costs.

### *7.3.8 Agricultural risk*

Part of Ecofibre's business is based on agricultural production and supply. This is particularly the case for the Ananda Food business which contracts with farmers to grow hemp seed to process into food and also for re-sale to customers such as hemp fibre growers in Australia and the United States.

As such, Ecofibre is subject to the risks inherent in the agriculture industry. These risks include insects, plant diseases, storm, fire, frost, flood, water availability, water salinity, pests, bird damage, seed storage and transport and force majeure events.

Risks also include identifying geographic locations that provide the best agronomic conditions for growing hemp on a large scale and selecting the most suitable varieties for applicable growing conditions.

These risks may be mitigated to some degree by proper management, but they still may impact growing time, the number of harvests or the yield generated from each harvest.

In the year ended 30 June 2023, the Company encountered a number of these issues in relation to seed to be grown to supply hemp fibre growers in the United States.

### *7.3.9 Dependence on key personnel*

Ecofibre's success depends to a significant extent on the ability, performance and experience of its key personnel. The Company share based incentives linked to performance and incentive targets, together with a focus on building and maintaining an attractive work culture and environment, to attract, motivate and retain its staff.

The loss of key personnel or an inability to recruit or retain suitable replacement or additional personnel may impact Ecofibre's ability to develop and implement its strategies, which may have an adverse effect on its future financial performance.

There can be no assurance that Ecofibre will be able to attract or retain sufficiently qualified scientific and management personnel or maintain its relationship with key scientific organisations and contractors. The loss of key technical and management personnel and the associated corporate knowledge of those people could have a detrimental impact on Ecofibre and may adversely affect it by impeding the achievement of its research, product development and commercialisation objectives.

### *7.3.10 Workplace health and safety and workers' compensation risk*

Many aspects of manufacturing and farming operations are inherently dangerous. Sales, administration and other staff are also exposed to risks, particularly if they are travelling.

Ecofibre must comply with various health and safety laws in Australia and the US. There is a risk that penalties and other liabilities for the violation of health and safety law and standards may be imposed on Ecofibre and may have an adverse effect on Ecofibre's reputation and its revenue, profitability and growth.

While Ecofibre endeavours to mitigate these risks through safe work practices and also through policies of workers compensation, travel and other insurances, there remains a residual risk that cannot be fully avoided.

#### *7.3.11 Reliance on relationships and alliances*

Ecofibre has relationships with government, technical and advisory parties and other stakeholders in the industries in which it operates. Ecofibre's success, in part, depends upon continued successful relations with these parties. The loss of one or more of these relationships or a change in the nature or terms of one or more of these relationships may have a material adverse impact on Ecofibre's financial position and prospects.

### **7.4 Other Risks**

#### *7.4.1 Reputation and trade marks*

Ecofibre believes that reputation and brand recognition are vital to its business and the effective protection of intellectual property rights is critical to its interest.

Ecofibre cannot guarantee that there will not be any unauthorised use or misuse of its brands. Any infringement may be detrimental to Ecofibre's reputation and may lead to costly and time consuming litigation or adversely affect Ecofibre's financial performance.

#### *7.4.2 Environmental risk and climate change*

Ecofibre is subject to environmental laws and regulations where it operates. It may be required to pay compensation costs and penalties if environmental contamination occurs, which could also give rise to breaches of environmental laws and regulations. This could have a material adverse effect on Ecofibre's reputation, revenue and profitability.

While the hemp industry is generally considered favourably with respect to its impact on the environment, and the Hemp Black business is increasing its focus on sustainable polymers and materials, and the Company overall strives to be a net positive contributor to our environments, these goals may not always be met. In this case, with increasing government and public sensitivity to environmental sustainability and environmental regulation, there would be an adverse impact on Ecofibre's business.

#### *7.4.3 Litigation risks*

The Company may, in the ordinary course of business, become involved in litigation and disputes, for example contractual disputes with service providers, distribution and sales agents, customers and other parties. Any such litigation or dispute could involve significant economic costs and damage to relationships with contractors, customers or other stakeholders. Such outcomes may have an adverse impact on the Company's business, reputation and financial performance.

For example, the Company has recently disclosed on the ASX platform damage caused to seed propagated in Australia and the United States for sale to hemp fibre growers in the United States.

A number of growers had already been invoiced and paid for the seed they received. Ecofibre is currently negotiating to settle all claims arising from the damaged seed, in conjunction with its insurer as necessary. The maximum limit applicable to any potential insurance recovery for this damage is AUD0.5m.

The Company is also in receipt of a letter advising a potential claim by a former employee whose employment had been terminated. Ecofibre believes the matters asserted have no validity, and that it has the ability to assert valid counterclaims should a formal claim be lodged.

#### *7.4.4 Planning, building approval and other risks for the Company's properties*

There are a number of inherent risks associated real property ownership, including ongoing compliance with planning and other laws, physical protection of the properties from peril's such as fire, flood or other damage, fluctuations in market values and similar impacts.

This risk is increased if the Company decided to undertake a sale and leaseback or similar transaction in order to repayment lenders if suitable refinancing terms cannot be secured.

#### *7.4.5 IT and systems complexity*

The Company is reliant on a number of standalone and integrated IT systems, including 3<sup>rd</sup> party software as a service and infrastructure providers, to operate its business. There is a risk that malicious access or use of the company's systems or data, including 3<sup>rd</sup> party data, will cause reputational damage to the Company and impair its ability to operate efficiently or at all.

#### *7.4.6 Force majeure events*

Force majeure events, or events beyond Ecofibre's control may occur within or outside Australia or the US that could affect the world economy, the operations of Ecofibre and the price of Ecofibre's Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural disasters. The Company's disaster recovery plans and responses may fail to anticipate or effectively mitigate such risks.

#### *7.4.7 Unforeseen risks*

There may be other risks which Directors or management are unaware of at the time of issuing this SPP Offer Booklet which may impact on Ecofibre, its operations and/or the valuation and performance of Ecofibre's Shares.

#### *7.4.8 Combination of risks*

Ecofibre may be subject to a combination of risks, including any of the risks outlined in this document, which could affect Ecofibre's performance valuation, financial performance and prospects.



#### *7.4.9 Securities investments and share market conditions*

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

#### *7.4.10 Securityholders may be diluted*

The Company may issue securities in the future and engage in capital fundraisings for the Company. A fundraising can be for a range of reasons including for an investment or business acquisition. The Listing Rules impose rules for the percentage of its capital that the Company is able to issue within a 12 month period, however security holders may still have their interest in the Company diluted as a result of securities being issued under future fundraisings.

#### *7.4.11 Liquidity and realisation risk*

The trading liquidity of Ecofibre's securities is relatively low compared to larger listed Company's, and there may be relatively few or many potential buyers or sellers of the Shares on the ASX and other market for securities at any time. Existing large investors may decide to sell down some or all of their shareholding in the Company. These factors may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares they have acquired. It may also affect the prevailing market price at which the Shareholders can sell their Shares.

#### *7.4.12 Dividends*

There can be no assurance that Ecofibre will achieve profitability in the future to pay dividends or the degree to which dividends will be franked.

#### *7.4.13 Taxation changes for Shareholders*

There may be tax implications arising from applications for securities offered under this document and on the future disposal of securities.

#### *7.4.14 Accounting policy changes*

The accounting standards applying to Ecofibre may change. This may affect Ecofibre's reported earnings and financial position from time to time. However, such changes are likely to operate in the same way in relation to other companies, including Ecofibre's competitors.

#### 7.4.15 *Economic risk*

Changes in the United States and Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption, general economic outlook and economic growth may impact on future operations and earnings.