




ECOFIBRE

APPENDIX 4E

**PRELIMINARY
FINANCIAL REPORT
2024**



1. Company details

Name of entity:	Ecofibre Limited
ACN:	140 245 263
Reporting period:	For the year ended 30 June 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

This preliminary financial report under ASX listing rule 4.3A covers Ecofibre Limited and its controlled entities (“the Group”) and is based on the attached Preliminary Financial Report.

	30 Jun 2024 \$'000	30 Jun 2023 \$'000	Variance
Revenues from ordinary activities, including discontinued operations	29,690	32,510	-9%
Profit (loss) from continuing operations after tax attributable to the owners of Ecofibre Limited	(38,205)	(37,705)	-1%
Profit (Loss) from discontinued operations after tax attributable to the owners of Ecofibre Limited	(1,009)	(2,208)	+54%
Profit (Loss) for the year attributable to the owners of Ecofibre Limited	(39,214)	(39,913)	2%
Basic earnings (loss) per share (cents) from continuing operations	(10.83)	(11.23)	
Diluted earnings (loss) per share (cents) from continuing operations	(10.83)	(11.23)	
Basic earnings (loss) per share (cents) from discontinued operations	(0.28)	(0.66)	
Diluted earnings (loss) per share (cents) from discontinued operations	(0.28)	(0.66)	

Dividends

There were no dividends paid, recommended, or declared during the financial period.

2. Results for announcement to the market (continued)

Comments

The loss from ordinary activities for the Group after providing for income tax amounted to \$39.2m (30 June 2023: \$39.9m).

The reported loss includes a number of impairments and one-off income and expenses recognised during the financial year.

Net impairments totalled \$31.3m:

- Inventory impairments, \$4.6m – includes:
 - Ananda Health: \$1.1m for cannabinoid extracts written down to estimated market value if sold as is rather than processed into finished goods, \$1.7m for slow moving, obsolete or expired inventory, and
 - Ecofibre Advanced Technologies: \$1.7m for various polymers and yarns
- Property, Plant and Equipment impairments, \$11.7m – relating to write down of a pyrolysis machine and multi-component yarn extrusion machine held by Ecofibre Advanced Technologies (\$3.0m) and Georgetown building impairment (\$8.7m).
- Intangible Asset impairments, \$27.0m – principally relates to the impairment of goodwill recognised on the acquisition of TexInnovate Inc in August 2020 (\$26.8m).

This loss is partially offset by a gain from the reversal of a provision for contingent consideration (\$12.0m) held since the acquisition of the business for cash consideration that would become payable if the acquired business delivers USD6.0m earnings before interest and tax (EBIT) for two consecutive annual periods within seven years of completion.

One-off income and expense items totalled \$7.9m:

- Gain from disposal of EOF Bio units, \$5.1m
- Gain from cancellation of Employee Share Scheme interests held by the former CEO, \$3.8m
- Loss on disposal of Ananda Food -\$0.8m
- Foreign exchange and other, -\$0.3m

The financial position of the consolidated entity includes net assets of \$40.9m (FY23: \$74.6m). At year end, the Group had \$6.7m cash on hand available to fund its operations and ongoing investments.

Further commentary on the result is included in the ASX market announcement accompanying this Appendix 4E report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>4.29</u>	<u>6.28</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The Annual Report is currently in the process of being audited and an unqualified opinion with a material uncertainty regarding going concern is expected to be issued.

8. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Ecofibre Limited for the year ended 30 June 2024 is attached.

9. Signed



Signed _____

Date: 28 August 2024

Vanessa Wallace
Chairman
Sydney

Ecofibre Limited

ACN 140 245 263

Preliminary Financial Report – 30 June 2024

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ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 \$'000	2023 \$'000
Revenue		27,984	30,642
Direct costs	4	(16,970)	(20,065)
Gross profit		<u>11,014</u>	<u>10,577</u>
Other income (expense)	5	(21,810)	(2,467)
Other operating expenses	4	(25,475)	(32,932)
Interest expense		<u>(3,056)</u>	<u>(2,876)</u>
Profit (loss) before income tax from continuing operations		(39,327)	(27,698)
Income tax credit (expense)		314	(10,007)
Profit (loss) after income tax from continuing operations		<u>(39,013)</u>	<u>(37,705)</u>
Profit (loss) after income tax from discontinuing operations	9	(1,009)	(2,208)
Profit (loss) after income tax for the period		<u>(40,022)</u>	<u>(39,913)</u>
Profit (loss) for the period is attributable to:			
Non-controlling interest	14	(808)	-
Members of the company		<u>(39,214)</u>	<u>(39,913)</u>
		<u>(40,022)</u>	<u>(39,913)</u>
Earnings (loss) per share from continuing operations:			
Basic earnings (loss) per share - cents		(10.83)	(11.23)
Diluted earnings (loss) per share - cents		(10.83)	(11.23)
Earnings (loss) per share from discontinuing operations:			
Basic earnings (loss) per share - cents		(0.28)	(0.66)
Diluted earnings (loss) per share - cents		(0.28)	(0.66)
Total earnings (loss) per share:			
Basic earnings (loss) per share - cents		(11.11)	(11.89)
Diluted earnings (loss) per share - cents		(11.11)	(11.89)

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

ECOFIBRE LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

		2024 \$'000	2023 \$'000
Profit (loss) after income tax		(40,022)	(39,913)
Other comprehensive profit (loss) for the year:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign controlled entities	18	(945)	2,967
Total comprehensive profit (loss) for the year		(40,967)	(36,946)

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

ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Note	2024 \$'000	2023 \$'000
CURRENT ASSETS			
Cash and cash equivalents		6,737	7,289
Trade and other receivables		3,082	2,885
Inventories	6	2,630	9,380
Biological assets		576	568
Other current assets	7	346	1,455
Tax recoverable		61	51
Land and building held for sale	8	23,941	-
TOTAL CURRENT ASSETS		<u>37,373</u>	<u>21,628</u>
NON-CURRENT ASSETS			
Intangible assets	10	25,275	53,680
Right-of-use assets		-	305
Property, plant and equipment	11	8,599	43,121
TOTAL NON-CURRENT ASSETS		<u>33,874</u>	<u>97,106</u>
TOTAL ASSETS		<u>71,247</u>	<u>118,734</u>
CURRENT LIABILITIES			
Trade and other payables		4,750	5,113
Lease liabilities		-	335
Tax payable		33	15
Borrowings	12	15,993	1,000
Liabilities directly associated with operations held for sale		-	-
TOTAL CURRENT LIABILITIES		<u>20,776</u>	<u>6,463</u>
NON-CURRENT LIABILITIES			
Lease liabilities		-	92
Contingent consideration	19	-	11,518
Deferred tax liabilities		3	407
Borrowings	12	9,500	25,607
TOTAL NON-CURRENT LIABILITIES		<u>9,503</u>	<u>37,624</u>
TOTAL LIABILITIES		<u>30,279</u>	<u>44,087</u>
NET ASSETS		<u>40,968</u>	<u>74,647</u>
EQUITY			
Issued capital	13	120,811	115,673
Other equity	14	4,794	865
Foreign currency translation reserve	18	3,832	4,777
Accumulated losses		(90,781)	(65,917)
Share capital reserve	19	-	14,300
Share-based payment reserve		1,307	4,932
Equity attributable to the members of the company		<u>39,963</u>	<u>74,630</u>
Non-controlling interest	14	1,005	17
TOTAL EQUITY		<u>40,968</u>	<u>74,647</u>

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

ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

Consolidated	Note	Issued capital \$'000	Other equity \$'000	Share- based payment reserve \$'000	Share capital reserve \$'000	Foreign currency translation reserve \$'000	Accumulated gains (losses) \$'000	Non- controlling interest \$'000	Total \$'000
Balance 30 June 2022		115,347	-	4,489	14,300	1,810	(26,004)	-	109,942
Loss for the year		-	-	-	-	-	(39,913)	-	(39,913)
Other comprehensive income		-	-	-	-	2,967	-	-	2,967
Total comprehensive income for the year		-	-	-	-	2,967	(39,913)	-	(36,946)
Transactions with owners in their capacity as owners:									
Shares issued		-	865	-	-	-	-	17	882
Share-based payments		346	-	443	-	-	-	-	789
Share issue cost		(20)	-	-	-	-	-	-	(20)
Balance 30 June 2023		115,673	865	4,932	14,300	4,777	(65,917)	17	74,647
Loss for the year		-	-	-	-	-	(39,214)	(808)	(40,022)
Other comprehensive income		-	-	-	-	(945)	-	-	(945)
Total comprehensive income for the year		-	-	-	-	(945)	(39,214)	(808)	(40,967)
Transactions with owners in their capacity as owners:									
Shares issued	13,14	5,339	3,929	-	-	-	-	1,796	11,064
Share Options / preference shares cancelled		-	-	(50)	(14,300)	-	14,350	-	-
Share-based payments	13	166	-	(3,575)	-	-	-	-	(3,409)
Share issue cost	13	(367)	-	-	-	-	-	-	(367)
Balance 30 June 2024		120,811	4,794	1,307	-	3,832	(90,781)	1,005	40,968

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

ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	2024 \$'000	2023 \$'000
Cash flows from operating activities		
Receipts from customers	28,749	33,855
Government grants	730	2,629
Payments to suppliers and employees	(40,943)	(45,012)
Interest received	56	165
Interest paid	(2,569)	(2,355)
Income tax paid	(40)	3,808
Net cash flows used in from operating activities	(14,017)	(6,910)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,212)	(1,708)
Payments for business acquisition	-	(399)
Receipt from sale of property, plant and equipment	241	495
Receipt from sale of discontinued operations	2,000	-
Receipt from sale of investment in subsidiary	5,130	-
Other	58	32
Net cash flows used in investing activities	4,217	(1,580)
Cash flows from financing activities		
Proceeds from borrowings	-	9,170
Repayment of borrowings	(1,000)	(2,000)
Repayment of lease liabilities	(275)	(405)
Proceeds from issue of shares	10,854	871
Share issue transaction costs	(367)	-
Net cash flows generated from financing activities	9,212	7,636
Net decrease in cash and cash equivalents held	(588)	(854)
Cash and cash equivalents at the beginning of the financial year	7,289	7,251
Effect of movement in exchange rates on cash held	36	892
Cash and cash equivalents at the end of the financial year	6,737	7,289

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

1. Changes in accounting policies

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. Material accounting policy information

Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a loss for the year of \$40.022m (2023: \$39.913m) and net cash outflows from operations were \$14.017m (2023: \$6.910m). As at 30 June 2024, cash and cash equivalents were \$6.737m including cash in EOF Bio (\$2.4m). Total cash at 30 June 2023 was \$7.289m.

The above factors indicate a material uncertainty exists which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The directors plan to continue the Group's operations on the basis outlined below and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve (12) months from the date of this report based on the Group implementing its Cash Positive Plan.

The Group remains focused on returning the business to positive operating cashflows in the short term, reducing financial risk in the medium term, and delivering on the four key priorities of its Cash Positive Plan:

1. Focus on core businesses
2. Reduce operating costs and debt
3. Deliver ongoing revenue growth in Ecofibre Advanced Technologies (EAT)
4. Realise value in EOF-Bio

The directors believe the Group is able to continue as a going concern after consideration of both the above and the following factors:

- Supported by Houston-based investment bank Chiron Financial LLC (Chiron), repayment dates for Nubridge Commercial Lending LLC (Nubridge) and James & Cordelia Thiele Trust Fund (Thiele) loans were successfully extended from July 2024 to 1 January 2025.
- Over the remainder of 2024, Chiron will work with Ecofibre to renegotiate and extend the Company's term loans and secure new working capital for its operations. The term loans currently outstanding are summarised below:
 - Nubridge - USD10.0m repayable 1 January 2025
 - Thiele - AUD1.0m repayable 1 January 2025, AUD6.0m repayable 15 July 2025
 - Lambert Superannuation Fund - AUD3.5m repayable 15 July 2025
- In 1H24, EAT installed new equipment for the production of NEOLAST™ elastomer yarn for Under Armour. Commercial production commenced in late 4Q24 and the business is targeting full capacity utilisation by the end of 2Q25. In addition, EAT is targeting full utilisation of its existing turf yarn production line by 3Q25, and the installation, commissioning and full utilisation of a 2nd turf yarn production line by late 4Q25. The above are expected to grow operating cash inflows to the business.
- On 5 August 2024 the Company appointed an experienced textiles executive, Mr Ulrich 'Úli' Tombuelt as Managing Director and CEO of the Group and President of EAT. Mr Tombuelt will lead an experienced team to deliver the Company's strategy and cash positive plan.

2. Material accounting policy information (continued)

Going concern (continued)

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into six segments based on differences in products and services provided: polymers yarns and textiles (Ecofibre Advanced Technologies), nutraceuticals (Ananda Health), hemp seed genetics (Seed), group corporate functions, (Corporate), clinical-stage biotechnology (EOF Bio), and hemp food (Ananda Food). This includes two new segments identified since the last reporting period (Seed and EOF Bio). The corresponding items of segment information have been restated where necessary for these new segments.

These segments are based on the internal reports that are reviewed and used by the Board of Directors (BOD) in assessing performance and in determining the allocation of resources.

The BOD reviews the profit or loss before income tax for each segment. The accounting policies adopted for internal reporting to the BOD are consistent with those adopted in the financial statements.

Types of products and services

The principal products and services of each of the operating segments are as follows:

Ecofibre Advanced Technologies	Advanced manufacturing business with specialist capabilities in performance yarn extrusion, polymer compounding and textiles manufactured in the United States
Ananda Health	Production and sale of hemp related and other nutraceutical products in the United States and Australia
Seed	Supply of seed genetics to the hemp fibre and grain industry in the US and Australia
Ecofibre Corporate	Group corporate functions
EOF Bio	Majority owned, US-based clinical-stage biotechnology company focused on a new generation of patient-centered cannabinoid-based drugs that improve health outcomes and enhance quality of life, starting with women's health and endometriosis.
Ananda Food (discontinued)	Production and sale of hemp related food and pet products primarily in Australia

Intersegment transactions

Intersegment transactions are made at arms-length market rates and are eliminated on consolidation.

Intersegment receivables and payables

Intersegment transactions are initially recognised at the consideration received. Intersegment receivables and payables that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment receivables and payables are eliminated on consolidation.

3. Operating segments (continued)

Operating segment information
a) Segment performance

							Discontinued operations / assets held for sale	Total \$'000
	Ecofibre Advanced Techno- logies \$'000	Ananda Health \$'000	Seed \$'000	Ecofibre Corporate \$'000	EOF Bio \$'000	Ananda Food \$'000	Land & building \$'000	
Consolidated - 2024								
Revenue								
Sales to external customers	16,980	10,005	999	-	-	1,706		29,690
Total sales revenue	16,980	10,005	999	-	-	1,706	-	29,690
Government grant	-	-	-	-	-	71		71
Foreign exchange gain (loss)	(22)	(5)	30	(224)	-	(24)		(245)
Interest income	-	-	-	56	-	-		56
Other income	204	36	500	17,166	6	-		17,912
Total revenue and other income	17,162	10,036	1,529	16,998	6	1,753	-	47,484
Impairment loss – inventory	(1,671)	(2,872)	(49)	-	-	(2)		(4,594)
Impairment loss – equipment & intangible assets	(30,061)	-	-	(8,665)	-	-		(38,726)
Loss on disposal of subsidiary	-	-	-	(831)	-	-		(831)
Other expenses	(18,220)	(11,562)	(1,109)	(4,825)	(5,193)	(2,760)		(43,669)
Loss before income tax	(32,790)	(4,398)	371	2,677	(5,187)	(1,009)	-	(40,336)
Consolidated - 2023								
Revenue								
Sales to external customers	17,333	12,991	317	-	-	1,869	-	32,510
Intersegment sales	-	-	-	-	-	99	-	99
Total sales revenue	17,333	12,991	317	-	-	1,968	-	32,609
Government grant	-	-	9	-	-	94	-	103
Foreign exchange gain (loss)	(3)	(24)	(6)	(446)	-	15	-	(464)
Interest income	-	20	-	141	-	-	-	161
Other income	20	27	-	3,603	-	15	-	3,665
Total revenue and other income	17,350	13,014	320	3,298	-	2,092	-	36,074
Impairment loss – inventory	(1,679)	(4,804)	-	-	-	(58)	-	(6,541)
Impairment loss – equipment & intangible assets	(4,035)	(1,688)	-	(86)	-	(9)	-	(5,818)
Other expenses	(20,297)	(18,781)	(1,161)	(9,198)	-	(4,085)	-	(53,522)
Intersegment purchases	-	-	-	-	-	(48)	-	(48)
Segment profit (loss) before income tax	(8,661)	(12,259)	(841)	(5,986)	-	(2,108)	-	(29,855)
Intersegment eliminations								(51)
Loss before income tax								(29,906)

3. Operating segments (continued)

b) Segment assets and liabilities

	Ecofibre Advanced Techno- logies \$'000	Ananda Health \$'000	Seed \$'000	Ecofibre Corporate \$'000	EOF Bio \$'000	Discontinued operations / assets held for sale		Total \$'000
						Ananda Food \$'000	Land & building \$'000	
Consolidated - 2024								
Assets								
Segment assets	36,991	2,207	1,069	302	-	-	23,941	64,510
Unallocated assets:								
Cash and cash equivalents								6,737
Total assets								<u>71,247</u>
Liabilities								
Segment liabilities	1,213	681	877	1,226	789	-	-	4,786
Unallocated liabilities:								
Borrowings								25,493
Total liabilities								<u>30,279</u>
Consolidated - 2023								
Assets								
Segment assets	67,957	7,138	506	837	-	2,295	32,712	111,445
Unallocated assets:								
Cash and cash equivalents								7,289
Total assets								<u>118,734</u>
Liabilities								
Segment liabilities	2,142	1,413	1,535	12,510	-	(120)	-	17,480
Unallocated liabilities:								
Borrowings								26,607
Total liabilities								<u>44,087</u>

c) Geographical information

	Sales to external customers		Geographical non-current assets	
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 \$'000	30 June 2023 \$'000
Australia				
Discontinuing	1,706	1,868	-	-
Continuing	1,306	1,249	7	1,371
United States of America				
Discontinuing	-	-	-	-
Continuing	26,678	29,393	33,867	95,735
	<u>29,690</u>	<u>32,510</u>	<u>33,874</u>	<u>97,106</u>

4. Expenses from continuing operations	2024 \$'000	2023 \$'000
a) Direct costs		
Costs of goods sold	12,264	13,187
Impairment loss – inventory*	4,592	6,506
Other inventory write downs	114	372
	16,970	20,065

* FY24 Inventory impairment loss was recognised to reduce the carrying value of inventories to net realisable value, including:

- Ananda Health: \$1.1m for cannabinoid extracts written down to estimated market value if sold as is rather than processed into finished goods, \$1.7m for slow moving, obsolete or expired inventory, and
- Ecofibre Advanced Technologies: \$1.7m for various polymers and yarns

b) Other operating expenses	2024 \$'000	2023 \$'000
Employees and contractors	12,991	14,399
Share based payments [^]	(3,122)	714
Sales and marketing	903	1,226
Travel and accommodation	474	608
Equipment modification and maintenance	1,093	1,202
Short-term and low value lease payments	244	264
Legal fees and compliance	3,718	1,990
Accounting and audit	461	433
Depreciation and amortisation	2,226	3,912
Research and development	2,884	4,656
Bad and doubtful debts	151	11
Other	3,452	3,517
	25,475	32,932

[^] 2024 includes cancellation of Employee Share Scheme interests (\$3.8m).

5. Other income / (expense) from continuing operations

	2024	2023
	\$'000	\$'000
Government grant and tax incentives	-	10
Foreign exchange gain (loss)	(219)	(479)
Interest	56	161
Impairment loss – equipment *	(3,051)	(2,106)
Impairment loss – building **	(8,665)	-
Impairment loss – goodwill (note 10)	(26,820)	-
Impairment loss – other intangibles ***	(191)	(3,703)
Contingent consideration earnout extension	-	3,484
Contingent consideration written off	12,036	-
Gain on disposal of units in EOF Bio Inc.	5,130	-
Loss on disposal of Ananda Food Pty Ltd (note 9)	(831)	-
Other income	745	166
	(21,810)	(2,467)

* FY24 Equipment impairment loss relates to the write down of a pyrolysis machine and multi-component yarn extrusion machine held by Ecofibre Advanced Technologies (\$3.0m) and Georgetown building impairment (\$8.7m).

The FY23 Equipment impairment loss related to closure of the Hemp Black garment business, as well as various fixed and intangible assets owned by Ananda Health in line with lower capacity utilisation at its production facility in Georgetown, Kentucky.

** FY24 Building impairment relates to the difference between book value, and an opinion of value prepared by an independent appraiser for the Georgetown, Kentucky production facility, which was held for sale as at 30 June 2024. In accordance with accounting standards, the financial statements do not reflect any increase in value above book value potentially applicable to the two properties in Greensboro, North Carolina.

*** impairment of other intangibles relate to a customer list previously acquired by Ecofibre Advanced Technologies.

6. Inventories

	2024 \$'000	2023 \$'000
Finished goods	1,587	2,130
Work in progress	2,156	3,314
Raw materials	2,975	4,399
Provision for impairment	(4,088)	(463)
	2,630	9,380
Summary of inventory by segment, net of provision for impairment:		
Ecofibre Advanced Technologies	1,182	2,769
Ananda Health	1,322	4,581
Ananda Food	-	1,964
Seed	126	66
	2,630	9,380

7. Other current assets

Employee retention credit grant	-	654
Prepayments	326	711
Other	20	90
	346	1,455

8. Assets held for sale

In FY24 the Board made the decision to market the Company's three freehold properties in the United States for sale to investors, subject to leaseback on terms to be negotiated, in order to repay a USD10m secured loan from Nubridge Commercial Lending LLC.

The Company's properties are expected to be worth more than the loan value. In particular, the market value of the two properties in Greensboro, North Carolina is expected to be significantly higher than book value, offset by a lower market value for the property in Georgetown, Kentucky. As indicated in Note 3 of the financial statements, an \$8.7m impairment loss has been recorded to account for the difference between fair value less costs of disposal and book value for the property in Georgetown, Kentucky. Assets held for sale are carried at the lower of these two amounts.

Subsequent to the end of the financial year, the Board engaged Houston-based investment bank Chiron Financial LLC to provide advice on monetising assets, reducing financing risk and funding growth across its businesses, which may include renegotiation, consolidation and extension of existing or new loan facilities.

The value of the assets held for sale are as follows:

	2024
	\$'000
Land and building held for sale	23,941

9. Discontinued operations

Description:

On 28 March 2024, Ecofibre Limited completed the sale of hemp food and animal products business of Ananda Food Pty Ltd to a wholly owned subsidiary of Elixinol Wellness Limited. The Company received cash consideration of \$2m and recognised a loss of \$0.8m in relation to the sale. An additional payment of up to \$1.0m may be received subject to cat litter product sales between 1 April 2024 and 30 June 2025. As per AASB9 Financial Instruments, no amount has been recognised as a receivable in relation to the additional payment as at 30 June 2024.

9. Discontinued operations (continued)

Financial performance information:

	2024	2023
	\$'000	\$'000
Revenue	1,706	1,868
Direct costs	(1,279)	(1,706)
Gross profit	<u>427</u>	<u>162</u>
Other income (expense)	46	114
Other operating expenses	(1,457)	(2,439)
Interest expense	(25)	(45)
Profit (loss) before income tax of discontinued operation	<u>(1,009)</u>	<u>(2,208)</u>
Income tax expense	-	-
Profit (loss) after income tax of discontinued operation	<u>(1,009)</u>	<u>(2,208)</u>

Cash flow information:

Cash flows used in operating activities	(505)	(491)
Cash flows used in investing activities	(53)	(412)
Cash flows used in financing activities	558	903
Net movement in cash and cash equivalents from discontinued operations	<u>-</u>	<u>-</u>

Carrying amounts of assets and liabilities disposed:

	2024
	\$'000
Cash and cash equivalents	200
Trade and other receivables	433
Inventories	1,896
Biological assets	267
Other current assets	118
Intangible assets	315
Right-of-use assets	118
Property, plant and equipment	548
Assets classified as held for sale	<u>3,895</u>
Trade and other payables	981
Lease liabilities	152
Liabilities classified as held for sale	<u>1,133</u>
Net assets	<u>2,762</u>

Details of disposal:

Total sale consideration	2,000
Carrying amount of net assets disposed	2,762
Disposal cost	69
Loss on disposal before income tax (note 5)	(831)
Loss on disposal after income tax	(831)

10. Intangible assets

	2024 \$'000	2023 \$'000
Goodwill at acquisition date	48,814	48,814
Less: Impairment	(26,820)	-
Foreign currency impact	3,281	4,252
	<u>25,275</u>	<u>53,066</u>
Patents, customer list and trademarks – at cost	302	4,039
Less: Accumulated amortisation	(106)	(378)
Less: Impairment	(191)	(3,047)
Foreign currency impact	(5)	-
	<u>-</u>	<u>614</u>
Software – at cost	-	320
Less: Accumulated amortisation	-	(257)
Less: Impairment	-	(63)
	<u>-</u>	<u>-</u>
Website development – at cost	-	1,129
Less: Accumulated amortisation	-	(527)
Less: Impairment	-	(602)
	<u>-</u>	<u>-</u>
Total intangible assets at cost / acquisition	49,116	54,302
Less: Accumulated amortisation	(106)	(1,162)
Less: Impairment	(27,011)	(3,712)
Foreign currency impact	3,276	4,252
	<u>25,275</u>	<u>53,680</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$'000	Patents, customer list and trademarks \$'000	Software \$'000	Website development \$'000	Total \$'000
Balance at 1 July 2022	51,093	3,643	82	550	55,368
Additions	-	250	-	224	474
Amortisation	-	(243)	(18)	(174)	(435)
Impairment	-	(3,047)	(63)	(602)	(3,712)
Exchange difference	1,973	11	(1)	2	1,985
Balance at 1 July 2023	<u>53,066</u>	<u>614</u>	<u>-</u>	<u>-</u>	<u>53,680</u>
Amortisation	-	(103)	-	-	(103)
Impairment	(26,820)	(191)	-	-	(27,011)
Disposal	-	(315)	-	-	(315)
Exchange difference	(971)	(5)	-	-	(976)
Balance at 30 June 2024	<u>25,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,275</u>

10. Intangible assets (continued)

Goodwill impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	2024 \$'000	2023 \$'000
Ecofibre Advanced Technologies (acquisition of TexInnovate business)	25,275	53,066

The recoverable amount of the consolidated entity's goodwill was determined by a scenario based, value-in-use calculation using a discounted cash flow model based on a 5 year projection period and a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

As at 30 June 2024, the following key assumptions were used in the discounted cash flow model to re-test the recoverable amount of the consolidated entity's goodwill:

- 15% pre-tax discount rate (FY23: 15% pre-tax discount rate) *
- In FY25, key revenue shifts have been estimated as follows:
 - Turf Line 1: approximately 50% utilization, increasing to 100% in January 2025
 - Turf Line 2: new equipment commissioned and utilisation increasing to 100% between April and June 2025
 - Under Armour: full utilization by November 2024 and held flat thereafter
- From FY26, 100% utilisation of turf line 1 & 2 and Under Armour machine
- After FY26, 3% growth rate assumed

* The pre-tax discount rate of 15% has been set using the estimated weighted average cost of capital to equate the present value of future cashflows against the current carrying value of fixed and intangible assets.

Management believes the projected revenue growth rate is prudent and justified.

Management's estimation of increased operating costs is based on estimated cost inflation and an effort by the consolidated entity to contain costs.

There were no other key assumptions.

Based on the above, the impairment charge of \$26.8m recognised by the entity as at 31 December 2023 has been retained as the carrying amount of the cash-generating unit exceeded this recoverable amount for the TexInnovate business. The recoverable amount was calculated as \$48.9m.

11. Property, plant and equipment

	2024 \$'000	2023 \$'000
Capital work in progress	3,920	3,583
Land	-	3,001
Buildings	-	32,116
Less: accumulated depreciation	-	(2,405)
	-	29,711
Motor vehicles	293	294
Less: accumulated depreciation	(257)	(246)
	36	48
Office equipment	1,581	1,586
Less: accumulated depreciation	(1,568)	(1,509)
	13	77
Plant and machinery	14,110	16,259
Less: accumulated depreciation	(9,480)	(9,558)
	4,630	6,701
Total property, plant and equipment	19,904	56,839
Less: accumulated depreciation	(11,305)	(13,718)
	8,599	43,121

	Capital WIP \$'000	Land \$'000	Building \$'000	Motor vehicles \$'000	Office equipment \$'000	Plant and machinery \$'000	Total \$'000
2023 Movement Schedule							
Carrying value 1 July 2022	6,294	2,900	30,253	323	466	6,755	46,991
Additions	1,590	-	-	44	12	126	1,772
Transfer	(3,805)	-	-	-	7	3,798	-
Disposals	-	-	-	(282)	-	(77)	(359)
Depreciation	-	-	(802)	(47)	(420)	(2,594)	(3,863)
Impairment	(730)	-	-	-	-	(1,376)	(2,106)
Exchange difference	234	101	260	10	12	69	686
Carrying value 30 June 2023	3,583	3,001	29,711	48	77	6,701	43,121
2024 Movement Schedule							
Carrying value 1 July 2023	3,583	3,001	29,711	48	77	6,701	43,121
Additions	3,739	-	358	-	7	73	4,177
Transfer	(294)	-	11	-	-	283	-
Disposals	-	-	-	-	-	(5)	(5)
Discontinued operations	(30)	-	-	-	(1)	(517)	(548)
Impairment	(3,051)	-	(8,665)	-	-	-	(11,716)
Transfer to land and building held for sale	-	(2,980)	(20,961)	-	-	-	(23,941)
Depreciation	-	-	(403)	(11)	(70)	(1,882)	(2,366)
Exchange difference	(27)	(21)	(51)	(1)	-	(23)	(123)
Carrying value 30 June 2024	3,920	-	-	36	13	4,630	8,599

12. Borrowings

	2024	2023
Current	\$'000	\$'000
Unsecured term loan	1,000	1,000
Secured term loan	14,993	-
	15,993	1,000
Non-current		
Unsecured term loans	9,500	10,500
Secured term loan	-	15,107
	9,500	25,607

Unsecured term loans

In June 2020, the Company obtained a \$10m loan from James & Cordelia Thiele Trust Fund. On 15 July 2022, \$2m was repaid and on 15 July 2023 \$1m was repaid. In July 2024 the terms of the loan were renegotiated as follows: \$1m repayable on 1 January 2025 and \$6m repayable on 15 July 2025. The interest rate on the loan is 11% p.a. to 30 September 2024 and 14% p.a. thereafter.

In March 2022, Ecofibre received a \$3.5m loan from the Lambert Superannuation Fund. The interest rate on the loan was 10% p.a. In December 2022, the term of the loan was extended, and the loan is now repayable on 15 July 2025.

Secured term loan

In June 2022, the Group obtained a USD10m loan from Nubridge Commercial Lending LLC in the United States. The Group's interests in the following properties were pledged as security for the loan: Corporate Boulevard, Georgetown, Kentucky; Cessna Drive, Greensboro, North Carolina; West Market Street, Greensboro, North Carolina. In addition, the shareholdings owned by Ecofibre Limited are included as security interests.

In April 2024 the terms of the loan were renegotiated as follows: the interest rate on the loan was 8.49% p.a. to 1 July 2024 and 13.49% thereafter. The loan is repayable on 1 January 2025.

	2024 \$'000	2023 \$'000	2024 Quantity	2023 Quantity
13. Issued Capital				
Ordinary shares	120,811	115,673	365,629,116	335,744,765
Movement in ordinary shares				
Opening balance 1 July	115,673	115,347	335,744,765	335,510,772
Shares issued for services rendered	-	108	-	233,993
New shares issue @ \$0.18 per share	5,339	-	29,659,351	-
Shares issued by the EST	166	238	225,000	150,000
Shares transferred to EST	-	-	-	(150,000)
Share issue cost	(367)	(20)	-	-
Closing balance 30 June	120,811	115,673	365,629,116	335,744,765

378,873,902 total shares are on issue by the parent entity, which includes 365,629,116 consolidated shares on issue plus shares held by the EST (13,244,786) which have been issued by the parent entity and are eliminated on consolidation.

14. Other equity

EOF Bio LLC. units issued and capital contribution at the end of the reporting period are as follows:

	2024 \$'000	2023 \$'000	2024 Quantity	2023 Quantity
Units issued: *				
Preference units	6,429	882	5,265	584
Common units	178	-	30,130	30,000
Total Contribution / Issued	6,607	882	35,395	30,584
Less: non-controlling interest^	(1,813)	(17)		
	4,794	865		

* In addition to the above, 1,600 incentive units were issued that contain rights to a share in future profits that will vest if commercialisation targets are met. Incentive unitholders do not have voting rights or preference rights and are subject to vesting conditions as set out in the award agreements.

14. Other equity (continued)

^The calculation of non-controlling interest percentage as at the end of the reporting period is summarized as follows:

	2024 Quantity	2023 Quantity
Units held by:		
Ecofibre USA Inc.	25,546	30,000
Non-controlling interest	9,849	584
Total units issued	<u>35,395</u>	<u>30,584</u>
Ownership:		
Ecofibre USA Inc.	72.2%	98.1%
Non-controlling interest	27.8%	1.9%
	<u>100%</u>	<u>100%</u>

Per AASB10 – Consolidated Financial Statements, 100% of EOF-BIO is consolidated into Ecofibre Group’s financial statements, less one-line adjustments to recognise the value of non-controlling interests in equity and profit or loss. The individual balance sheet and profit and loss items in the consolidated financial statements therefore include 100% of EOF Bio. The attributed value of the non-controlling interest as at the end of the reporting period is as follows:

	2024 \$'000	2023 \$'000
Non-controlling interest – issued capital	(1,813)	(17)
Non-controlling interest – attribution of accumulated loss	808	-
	<u>(1,005)</u>	<u>(17)</u>

15. Interests in subsidiaries

The financial statements of the subsidiaries have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements also comply with Australian Accounting Standards and interpretation issued by the Australian Accounting Standards Board (AASB).

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries:

Name	Principal place of business / Country of Incorporation	Ownership Interests	
		2024 %	2023 %
Ecofibre Services Pty Ltd (ES)	Australia	100%	100%
Ananda Food Pty Ltd (AF)	Australia	100%	100%
Ecofibre Asia Pacific Pty Ltd (EAP)	Australia	100%	100%
Ecofibre USA Inc. (EUSA)	United States of America	100%	100%
Ananda Hemp Inc. (AH)	United States of America	100%	100%
Ecofibre Kentucky LLC (EK)	United States of America	100%	100%
Ecofibre Advanced Technologies Inc. (EAT) (formerly Hemp Black Inc.)	United States of America	100%	100%
Ecofibre Advanced Technologies Biomedical, LLC (EATB) (formerly Hemp Black Biomedical, LLC)	United States of America	100%	100%
Ecofibre Advanced Technologies Polymer, LLC (EATP) (formerly Hemp Black Polymer, LLC)	United States of America	100%	100%
EOF Distribution Inc. (EOFD)	United States of America	100%	100%
Ecofibre USA RE LLC (EUSARE)	United States of America	100%	100%
Ecofibre Uruguay SA (EU)	Uruguay	100%	100%
EOF Bio Inc (BIO) (formerly EOF BIO LLC)	United States of America	72.2%	98.1%
Ecofibre Genetics Pty Ltd (Genetics)	Australia	100%	-

ES's principal activity is the provision of group corporate functions and research and development services.

AF's principal activity is the growing, processing and distribution of hemp food products.

EAP's principal activity is sales and distribution of hemp products.

EUSA's principal activity is an investment holding company.

AH's principal activity is the marketing and distribution of hemp nutraceutical products.

EK's principal activity is to support the manufacture of hemp nutraceutical products.

EAT's principal activity is to develop and commercialise hemp fibre products.

EATB's principal activity is manufacturing, and sale of customised polymer-based yarns used for internal medical implants and applications.

EATP's principal activity is to provide performance masterbatch and custom compounding to the plastics industry for technical textiles.

EOFD is a special purpose sales and marketing entity for the Ananda Health business in the United States.

EUSARE is a special purpose entity for the securitisation of the loan from Nubridge.

EU is a dormant entity.

BIO's principal activity is to research and commercialise gynaecological and other treatments using hemp derived cannabinoids.

Genetic's principal activity is to grow and sell improved hemp seed genetics.

16. Earnings per share (EPS)

	2024 \$'000	2023 \$'000
Loss used in the calculation of basic and diluted EPS (\$'000)	<u>(40,022)</u>	<u>(39,912)</u>
Weighted average number of shares* outstanding during the period used in the calculation of basic and diluted EPS:		
Basic	360,253,862	335,670,317
Diluted**	<u>360,253,862</u>	<u>335,670,317</u>

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

** Options granted are not included in the diluted weighted average number of shares because they are antidilutive. Adding these options would result in a lower loss per share.

17. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2024				
Assets				
Biological assets	-	576	-	576
Land and building held for sale	-	23,941	-	23,941
Liabilities				
Contingent consideration	-	-	-	-
Consolidated - 2023				
Assets				
Biological assets	-	568	-	568
Liabilities				
Contingent consideration	-	11,518	-	11,518

There were no transfers between levels during the financial year.

The fair value of biological assets is estimated based on the maturity of the plant, the potential output and the estimated grower payments when the crops are harvested.

The fair value of contingent consideration is estimated based on the discounting of potential future cash outflow to present value. The fair value of land and buildings has been estimated based on consideration of the direct comparison approach and the income approach.

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

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

18. Foreign currency translation reserve

Foreign currency translation reserve consists of exchange differences arising from translation of foreign subsidiary's financial statements, where the subsidiaries reporting currency differs from that of the consolidated entity's currency. The balance sheet is translated either at historical spot rates or the closing rate at the end of the period. Profit and loss is translated at average rates.

The majority of the Company's business is conducted in Australian and United States dollars. The closing exchange rate for this currency pair changed by 0.7% during the year as the USD depreciated against the AUD (2024: AUD1 for USD0.6670, 2023: AUD1 for USD0.6619).

The foreign currency translation reserve as at 30 June 2024 consists of the following exchange differences:

Balance sheet component	Rate used for translation	\$'000
Investment in subsidiaries	Historical spot rate	5,301
Retained earnings	Average rate	(1,469)
Total		<u>3,832</u>

Movement in the foreign currency translation reserve:	\$'000
Balance at 30 June 2023	4,777
Exchange differences on translation of foreign controlled entities	(945)
Balance at 30 June 2024	<u>3,832</u>

19. Contingent consideration

On 21 August 2020, the Group completed the acquisition of TexInnovate, a portfolio of five businesses with expertise and capabilities across a broad range of high-performance textile disciplines.

Total potential consideration for the businesses and operating assets is USD42.0m, including contingent consideration with a value up to USD21.0m, is also payable subject to the acquired businesses delivering USD6.0m earnings before interest and tax (EBIT) for two consecutive annual periods within seven years of completion. The earliest that any such consideration may become due is in 3 equal tranches of USD7.0m on the 5th, 6th, and 7th anniversaries after completion, payable in equal proportions of cash and shares. 5,924,925 shares will be issued if the performance targets are met.

Based on the Company's projections, the EBIT target will not be met before the end of the 7th anniversary. As such, the contingent consideration payable in cash and shares has been written off.

Reconciliation of acquisition date contingent consideration payable in cash to the balance at 30 June 2024:

	2024 \$'000	2023 \$'000
Balance at 1 July fair value [^]	11,518	13,996
Fair value movement on contingent consideration during the period	614	458
Extension of earnout period*	-	(3,484)
Foreign currency impact	(96)	548
Contingent consideration written off (note 5)	(12,036)	-
Balance at 30 June 2024	<u>-</u>	<u>11,518</u>

19. Contingent consideration (continued)

^ The fair value of the contingent consideration is determined based on the probability weighted cash flow projections discounted at the incremental borrowing rate. The inputs used in the valuation falls under level 2 of the fair value hierarchy (inputs other than quoted prices that are observable for the asset of liability, either directly or indirectly).

* To reflect the 2 year interruption due to COVID and the post COVID momentum in the business the earnout period was extended by 2 years, from 5 years to 7 years.

The write off of the contingent consideration payable in shares of \$14.3m resulted in a transfer from Share Capital Reserve to Retained Earnings.

20. Contingent liability

EOF Bio litigation

Various claims have been made against the Group and Directors by former employees in the Court of Chancery for the State of Delaware, USA. The proceedings make claims in relation to the management of EOF Bio Inc. and seeks orders including unspecified damages. The Group has moved to dismiss the claims. One of the former employees has also brought an employment related claim, based on substantially the same allegations in the United State District Court for the District of Delaware. As both matters are before the courts, no further information has been disclosed as this may prejudice the position of the Group.

ELI Seed claim

Environmental Living Industries, LLC seeks damages from the Group for a 2023 seed crop that failed due to a transportation issue that was resolved in the Group's favour. The parties are in settlement negotiations and, therefore, no further information can be disclosed as this may prejudice the position of the parties.

Texinnovate

As part of the purchase price of the assets of the Texinnovate portfolio of businesses in August 2020, payouts based on Ecofibre Advanced Technologies, Inc. (formerly known as Hemp Black Inc.) earnings before interest and taxes (EBIT) will occur if vesting conditions are met. The Company has determined that the vesting conditions for the requisite Hemp Black EBIT will not occur.

Elixinol Wellness (Byron Bay) Pty Ltd

The Company has been advised by Elixinol Wellness (Byron Bay) Pty Ltd, the purchaser of the food and pet products business of Ananda Food Pty Ltd, that it believes it has a claim in relation to the sale. Ecofibre denies the claim and the parties are likely to refer the matter to an independent expert in 1Q25 in accordance with the dispute resolution provisions in the contract.

Mr Nice Guy

The Group had sought declaratory judgments regarding a previous agreement in the United States, and as part of the litigation, the defendants asserted various counter claims against the Group. In May 2024 the litigation was closed and all appeals were found in favour of the Group.

Personal Property Tax

The Group has received an assessment for Personal Property Tax from the Commonwealth of Kentucky which seeks to adjust tax declared and paid for the period 2019–22 by a group subsidiary entity, Ecofibre Kentucky LLC. The Group does not agree with the Commonwealth's calculation of taxes owed, but has paid the amount it calculated as being underpaid. The parties are still discussing the final calculations.

21. Subsequent events

In July 2024, EOF Bio LLC was converted to a C-Corporation with the strong support of voting shareholders. This important step enables broader access to institutional biotech investors in connection with future financing. As such, EOF Bio is now known as EOF Bio Inc.

In July 2024, the Company reached an agreement with an unsecured lender, the James & Cordelia Thiele Trust Fund, to amend the terms of the loan. Under the revised terms of the loan, \$1m repayable on 1 January 2025 and \$6m repayable on 15 July 2025 at an interest rate of 11% until 30 September 2024 and 14% thereafter.

Since 31 December 2023, the Company has categorised its 3 properties in the United States as held for sale. Subsequent to year end, and following a review of the Company's financing strategy by Chiron Financial LLC, the Company made the decision to pursue a wholistic recapitalisation of the Company's balance sheet. Accordingly, the properties are no longer being actively marketed for sale.

On 5 August 2024, Ulrich Tombuelt was appointed as Managing Director and CEO for the Group.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.