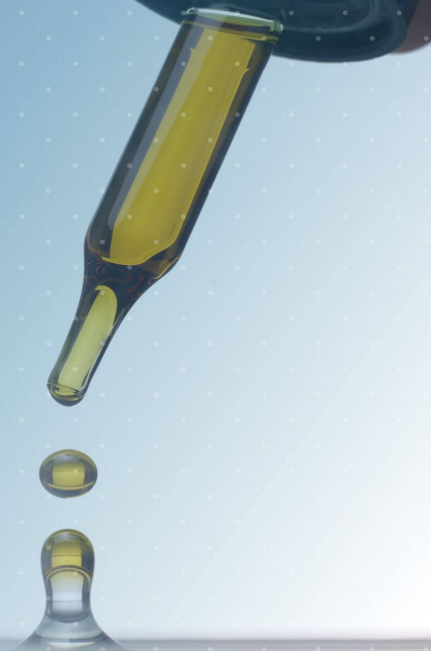




ECOFIBRE



ASX ANNOUNCEMENT

ASX: EOF

15 April 2019

Ecofibre Limited

March 2019 Quarterly Update and Appendix 4C

Ecofibre Limited (EOF, Ecofibre or the Company) (ASX:EOF) was admitted to the Official List of the ASX on 28 March 2019 and Official Quotation of its securities commenced 29 March 2019.

Under Listing Rule 4.7B, EOF is required to give ASX its first Appendix 4C cashflow report for the quarter ending 30 June 2019. The Company is voluntarily submitting an Appendix 4C report for the quarter ended 31 March 2019 to provide the market additional guidance following the release of EOF's prospectus on 22 February 2019.

Ecofibre comprises three businesses:

- **Ananda Health** provides high quality hemp derived nutraceutical products to the US market. This business has been in commercial operation since January 2017.
- **Ananda Food** provides guaranteed 100% Australian grown hemp food to the Australian market. This business has been in commercial operation since January 2018.
- **Hemp Black** will provide sustainable hemp-based solutions that improve the technical properties of existing consumer and industrial products across a range of industry segments. This business is in pre-commercial phase.

Ananda Health

Ananda Health continued to experience growth in Q3 FY19. Sales efforts focus on the highly regulated US Independent Pharmacy market and leverage the Company's strengths in compliance, transparency and education.



The business has also increased focus on the direct-to-consumer channel as well as working closely with selected partners to provide Ananda branded and non-branded solutions.

Ananda Health continues to mature its vertically integrated business model and has been able to leverage its scale to profitably support an expanding customer base. Cashflow for the quarter included final payment for c.400 acres of feedstock grown in Kentucky in 2018, which is being used for products manufactured in the 2019 calendar year.

Ananda Food

Ananda Food is focused on developing and ensuring supply of 100% Australian grown hemp food.

The Company has deep conviction that food safety, full traceability of supply and truth in labelling will underpin a sustainable quality business and lead to future opportunities in domestic and export markets. Hemp seed imported into Australia for human consumption must be tested for 100% nil germination (that is, it must be 'de-natured' or 'dead' seed) or otherwise de-hulled before entering Australia, which we believe results in a lower quality product.

Ananda Food's processing facility in New South Wales has received provisional HACCP certification and is capable of processing upwards of 15m kg of hemp food annually across a range of product formats. This capacity allows for significant future growth, including the ability to process on behalf of other Australian growers to displace imported hemp.

The Company recently harvested 560ha of hemp planted with local Tasmanian growers. With an average yield of c.1,200kg per hectare, Ecofibre and its growers have achieved a quality result. A smaller commercial and multiplication crop has been planted in NSW and QLD and will be harvested in early Q1 FY20.

Ananda Food is now comfortably positioned to support large scale clients with guaranteed 100% Australian grown and processed hemp foods.

Hemp Black

Hemp Black is in its pre-commercial phase and will begin introducing prototypes of its products in Q2/Q3 FY20. Work on the future Hemp Black facility in Georgetown, Kentucky is underway with initial approvals received and the building design completed. The facility is expected to be operational in Q4 FY20.

The Company is currently in the build phase of its supply chain, which follows the filing of six provisional patent applications in the United States in early 2018, which are licensed exclusively to the Company by TJU. This supply chain is expected to be commissioned in conjunction with the completion of the new facility in Q4 FY20.

4C Discussion and Outlook

In Q3 FY19 the Company had unaudited consolidated revenue of AUD10.1m, primarily driven by the Ananda Health business.

Cash outflows for research and development primarily relate to Hemp Black and represent payment of 18 months' accrued research costs for Thomas Jefferson University (TJU). TJU subsequently subscribed and paid for ordinary shares in Ecofibre pursuant to its option agreement.

Production and manufacturing costs include payments to growers for feedstock into the Ananda Health and Ananda Food businesses. These payments will be present throughout the year but given their seasonal nature are separately disclosed to provide visibility on the timing of growing cashflows.

Ecofibre expects to deliver a small profit in FY19, following a loss of \$8.7m in FY18.

The result is expected to include:

- **FY19 Revenue** more than **5.5x** FY18 Revenue, driven primarily by Ananda Health
- **FY19 Gross Profit** more than **11x** FY18 Gross Profit due to scale efficiencies achieved in the vertically integrated Ananda Health business model
- **FY19 Operating Costs** less than **2x** FY18 Operating Costs, including costs associated with the growth of Ananda Health, investment into Hemp Black and Ananda Food, and costs associated with the recent listing of the business.

Investor Relations and Media please contact:

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Company Secretary
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About Ecofibre

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

In the United States, the Company produces nutraceutical products for human and pet consumption, as well as topical creams and salves. See www.anandahemp.com and www.anandaprofessional.com.

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

The Company is also developing innovative hemp-based products in textiles and composite materials in partnership with Thomas Jefferson University (TJU) in the United States.

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Ecofibre Limited

ABN

27 140 245 263

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,308	21,531
1.2 Payments for		
(a) research and development	(1,616)	(1,658)
<i>Thomas Jefferson University (TJU) – 18 months accrued research expenses paid this quarter. TJU then subscribed for fully paid ordinary shares pursuant to option agreement, see 2.1(d) & 3.3.</i>	(1,588)	(1,588)
<i>Other</i>	(28)	(70)
(b) product manufacturing and operating costs	(4,442)	(10,568)
<i>Grower payments, Ananda Health</i>	(1,779)	(2,759)
<i>Grower payments, Ananda Food</i>	-	(619)
<i>Production costs</i>	(2,663)	(7,190)
(c) advertising and marketing	(403)	(1,025)
(d) leased assets	(160)	(460)
(e) staff costs	(1,868)	(5,679)
(f) administration and corporate costs	(1,545)	(3,747)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	22
1.5 Interest and other costs of finance paid	(185)	(372)
1.6 Income taxes paid	(90)	(267)
1.7 Government grants and tax incentives	-	1,476
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,001)	(747)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,118)	(3,274)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property – TJU patents	(340)	(340)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	49	49
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(192)	(192)
2.6 Net cash from / (used in) investing activities	(1,601)	(3,757)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	20,000	25,507
<i>Initial Public Offering</i>	<i>20,000</i>	<i>20,000</i>
<i>Other</i>	<i>-</i>	<i>5,507</i>
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	1,816	1,816
3.4 Transaction costs related to issues of shares, convertible notes or options	(715)	(715)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(572)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	21,101	26,036

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,928	2,756
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,001)	(747)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,601)	(3,757)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	21,101	26,036
4.5	Effect of movement in exchange rates on cash held	(22)	117
4.6	Cash and cash equivalents at end of quarter	24,405	24,405

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,303	1,760
5.2 Call deposits	509	3,280
5.3 Bank overdrafts	-	-
5.4 Other (term deposits, credit card balances)	19,593	888
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	24,405	5,928

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	126
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors' salaries and fees, excludes GST where applicable.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,321,377	1,321,377
8.2 Credit standby arrangements	6,500,000	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 Loan Facilities

Represents the convertible loan payable to Lambert Superannuation Fund (a related party of a Director)

The terms of the convertible loan are as follows:

Agreement date: 7 January 2017

Interest rate: 7.5% per annum (fixed)

Repayment term: 4 years from the agreement date.

Conversion right: The lender has the right but not the obligation to convert part or the whole of the loan into ordinary shares in Ecofibre Limited at \$0.257 per share

8.2 Credit standby arrangements

\$6.5million line of credit provided by Barry Martin Lambert in favour of Ecofibre Limited. This facility was unsecured and incurred interest at 7.5% per annum on any outstanding balance. The facility expired on 12 April 2019.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(50)
9.2	Product manufacturing and operating costs	(6,698)
	<i>Grower payments, Ananda Health</i>	(1,349)
	<i>Grower payments, Ananda Food</i>	(2,040)
	<i>Production costs</i>	(3,309)
9.3	Advertising and marketing	(245)
9.4	Leased assets	(173)
9.5	Staff costs	(2,409)
9.6	Administration and corporate costs	(1,238)
9.7	Other (income taxes)	(200)
	Capital Expenditure	(1,370)
	Loan Repayment	(717)
9.8	Total estimated cash outflows	(13,100)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

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



Sign here:
CFO/ Company Secretary

Date: 15 April 2019

Print name: Jonathan Brown

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.