

1. Company details

Name of entity:	Ecofibre Limited
ACN:	140 245 263
Half year ended (current period):	31 December 2023
Half year ended (previous period):	31 December 2022

2. Results for announcement to the market

	31 Dec 2023 \$'000	31 Dec 2022 \$'000	Variance
Revenues from ordinary activities, including discontinuing operations	13,859	16,453	-16%
Profit (loss) from continuing operations after tax attributable to the owners of Ecofibre Limited	(44,767)	(16,403)	-173%
Profit (loss) from discontinuing operations after tax attributable to the owners of Ecofibre Limited	(811)	(1,205)	33%
Profit (loss) for the half-year attributable to the owners of Ecofibre Limited	(45,578)	(17,608)	-159%
Total comprehensive loss for the half-year attributable to the members of the company (after exchange differences)	(46,950)	(16,692)	-181%
Basic earnings (loss) per share (cents) from continuing operations	(12.64)		
Diluted earnings (loss) per share (cents) from continuing operations	(12.64)		
Basic earnings (loss) per share (cents) from discontinuing operations	(0.23)		
Diluted earnings (loss) per share (cents) from discontinuing operations	(0.23)		

Dividends

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

3. Net tangible assets

	31 Dec 2023 Cents	30 Jun 2023 Cents
Net tangible assets per ordinary security	<u>1.47</u>	<u>6.28</u>

4. Audit qualification or review

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2023. This report is based on the consolidated financial statements for the half-year ended 31 December 2023 which have been reviewed by William Buck (Qld).



ECOFIBRE

HALF-YEAR FINANCIAL STATEMENTS 2024



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Cash Positive Plan

Ecofibre 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 outlined at the Annual General Meeting in November 2023.

At 31 January 2024 cash in bank totalled \$9.7m. \$5.9m in Ecofibre and \$3.8m in EOF Bio.

1. Focus on core businesses

Following the departure of the Company's CEO in late November the Board's implementation of the Company's business portfolio review has accelerated, with a focus on monetising assets to reduce financing risk and fund growth in businesses able to be cash flow positive in the near term.

In February, the hemp food and animal products business was sold for \$3 million. \$2m cash on completion plus \$1 million earn-out. This business was high quality, but sub-scale and loss making.

2. Reduce operating costs and debt

Ecofibre continues to focus on tight cost control and is also taking steps to reduce debt and financial risk by selling targeted assets.

Normalised operating costs reduced 8% in 1H24 compared with 2H23, which followed a prior reduction of 27% delivered from 1H23 to 2H23.

In January 2024, Ecofibre sold 15% of its holding in EOF-Bio LLC, the separate entity established to commercialise Ecofibre's life sciences intellectual property. This sale raised \$5 million.

The Board has also 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 by 1 July 2024.

The Company's properties are expected to be worth significantly 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.

The Group will also seek proposals for the sale of other assets including surplus equipment, some or all of its hemp genetics, intellectual property or potential sale of a further stake in EOF Bio LLC.

3. Deliver ongoing revenue growth in Hemp Black

A key medium term growth engine for Ecofibre is Hemp Black. As expected, 1H24 revenue for Hemp Black was impacted pending the restart of medical yarn production in January 2024 and waiting for the commencement of Under Armour sales following the successful installation of new equipment in 1H24. 1H24 Hemp Black revenues were underpinned by strong Turf Yarn sales and Cruz Foam commissioning project income.

As the business continues to grow and expand the range of high-performance technologies available to customers, Hemp Black Inc. is changing its name to Ecofibre Advanced Technologies, Inc., and will rebrand its business operations in the coming month ahead of a planned program of global business development.

Cash Positive Plan (continued)

4. Realise value in EOF Bio

EOF-Bio was established by Ecofibre to commercialise latent value in the patent portfolio, developed over year of investment in clinical research, with the aim of using our emerging technology to improve women's health. Key to EOF-Bio's success is ensuring self-funding and augmenting its life-sciences commercialisation capabilities.

In January, the business closed a USD3 million capital raise to fund the business through April.

In February, Simon Allen will commence as CEO, initially for a 4 month period with a view to extending by mutual agreement should the business continue to pass through key milestones.

Directors' Report

The directors of Ecofibre Limited present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Ecofibre Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

The following persons were directors of Ecofibre Limited during the half-year reporting period 1 July 2023 to 31 December 2023 and up to the date of this report, unless otherwise indicated.

Vanessa Wallace	Chairman, Interim Managing Director & CEO (from 28 November 2023)
Eric Wang	CEO & Managing Director (resigned on 28 November 2023)
Prof Bruce Robinson	Non-Executive Director
Michele Anderson	Non-Executive Director
Mark Bayliss	Non-Executive Director

Principal activities

The principal activities of the Group during the half-year were researching, producing, and selling sustainable polymer-based industrial products and a range of hemp derived and other nutraceuticals and foods.

Significant changes in the state of affairs

On 7 July 2023 Ecofibre announced that EOF Bio LLC (EOF Bio) had been established to commercialise patents for the treatment of endometriosis and ovarian cancer. EOF Bio has the exclusive rights to commercialise intellectual property developed by Ecofibre and the University of Newcastle pursuant to an exclusive license agreement. Under the terms of the license agreement, royalties will be payable on any sub-license of the intellectual property to a third party and on any products developed by EOF-BIO or its sub-licensee.

Ecofibre received notification from the United States Patent and Trademark Office (USPTO) that its third patent, US Utility Patent Application No. 18/050,021 Methods of Treating Endometrial Cancer Using Hemp Extract, was issued on 24 October 2023.

On 31 July 2023 Ecofibre's Hemp Black business announced that it had entered a memorandum of understanding (MOU) with Under Armour to supply specialty yarn for apparel use. The MOU anticipated a final agreement under which Hemp Black would purchase equipment financed by Under Armour to supply yarn for 3 years.

On 31 July 2023 Ecofibre also announced that its Hemp Black business had entered an Agreement with Cruz Foam to manufacture a sustainable, bio- degradable packaging material for its customers.

Hemp Black's biomedical yarn customer, Intervascular, suspended the purchase of biomedical yarn during 1H24 to temporarily reduce inventory levels post-COVID-19 due to greater supply chain certainty.

On 16 August 2023 Ecofibre announced that the Board had agreed to extend the term of the earnout agreement from the original acquisition of the TexInnovate group of companies on 24 August 2020 from 5 to 7 years on account of the 2-year COVID-19 disruption and the strong pipeline of opportunities in the business.

Significant changes in the state of affairs (continued)

On 24 August 2023 Ecofibre announced an institutional placement and share purchase plan (SPP) to fund Hemp Black growth. The company subsequently issued 27.8m new shares to institutional investors at \$0.18 per share (total: \$5.0m) and 1.9m shares to SPP investors at the same price (total: \$0.3m). Total SPP funds included \$0.12m contributed by directors following approval by shareholders at the Company's annual general meeting held on 23 November 2023.

Ecofibre's Ananda Food business launched a key new product, Smitten Cat Litter, in 600 Woolworths supermarkets in Australia.

During the period, Ecofibre refunded \$0.8m to US seed growers in relation to seed damaged in transit from Australia to the USA in FY23.

On 28 November 2023 managing director & CEO, Eric Wang resigned and Chairman, Vanessa Wallace was appointed as interim managing director and CEO. 7.2m share rights held by the former CEO in the Ecofibre's Employee Share Trust (EST) were cancelled effective on the date of his resignation and returned to the EST.

There were no other significant changes in the state of affairs of the consolidated entity during the half-year.

Review of Operations and Results

GROUP RESULT		1H24	1H23	%
Normalised	Revenue	12.7	15.6	-18%
AUDm	Gross Margin	50%	57%	-7%
	Other Income (Expense)	0.3	-	nm
	Operating Costs	(12.6)	(19.1)	34%
	EBITDA Loss from discontinuing operations	(0.4)	(0.7)	34%
	EBITDA	(5.0)	(8.6)	42%
	Investments:			
	Research & Development	1.0	3.5	-71%
	Capital Expenditure	2.9	1.0	185%

Profit Result

In the six months to 31 December 2023 ('1H24'), Ecofibre reported a loss after tax of \$45.7m (1H23 loss: \$17.6m).

The normalised NPAT loss for 1H24 was \$7.9m, and the normalised EBITDA loss was \$5.0m, after adjusting for the following items:

1. Impairment expenses totaling \$38.7m

1H24 Impairment Expense by Asset Type & Business Segment	AUDm	
Inventory Ananda Health	0.9	Ananda Health finished goods and raw materials related to discontinued product lines.
Property, Plant and Equipment Hemp Black	2.1	Hemp Black pyrolysis equipment written down (-\$2.1m), 3rd party service to be utilised.
Corporate	8.7	Georgetown, KY property partially impaired (-\$8.7m).
Intangible Assets Hemp Black	27.0	Partial impairment of Goodwill initially recognised on the acquisition of the TexInnovate business.
Total Impairment Expense	38.7	

Notes 4 and 5 to the financial statements provide further detail on these impairment expenses.

2. One-off \$3.7m reduction in share-based payments expense following cancellation of Employee Share Scheme interests held by the former CEO on 28 November 2023.
3. Separately funded EOF Bio expenses (\$2.6m) which accounting rules require to be 100% consolidated in the Group's financial statements.
4. Foreign exchange losses (\$0.3m)

In this Review of Operations and Results, the results of the Group for 1H24 have been normalised to exclude these items in order to illustrate the operating trend of the business.

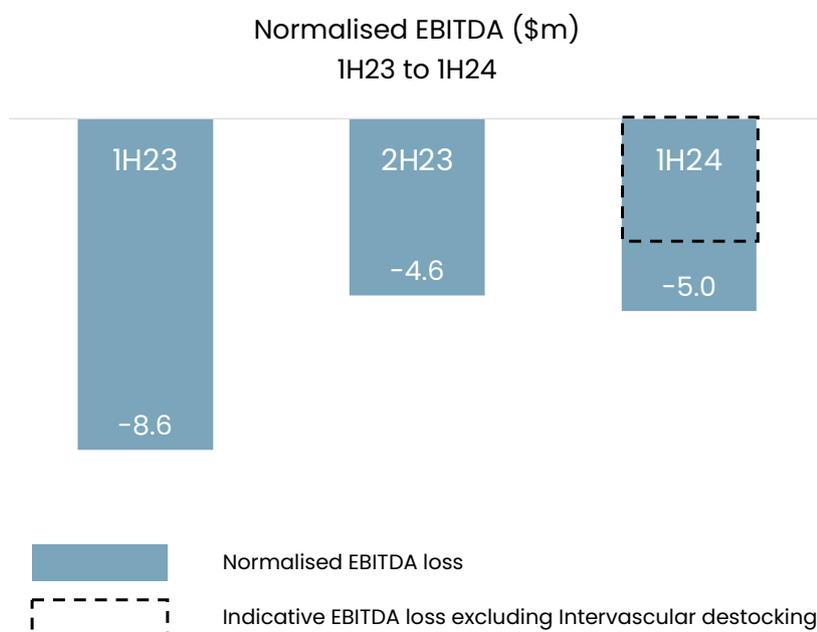
Review of Operations and Results (continued)

Note that the financial statements categorise the Group's freehold properties, and the food and pet products business, as assets held for sale / discontinuing operations, as there was an active sales process underway for both assets as at 31 December 2023. The impact of this categorization is set out below:

- in the Consolidated Statement of Financial Position, all assets and liabilities relating to these items are grouped together and classified as current; and
- in the Consolidated Statement of Profit or Loss, all directly attributable income and expenses are netted together and shown as a Loss before Income Tax from Discontinuing Operations (\$-811k).

The loss from Discontinuing Operations relates to the food and pet products business and remains included in the normalised results for this reporting, pending completion of the sale of the business expected to occur in late March 2024.

The table below shows the adjusted EBITDA result for 1H24 compared with the previous two reporting periods (Normalised EBITDA).



In addition to the four items normalised above, the results of the Group in 1H24 were also materially impacted by the absence of \$1.3m EBITDA in 1H24 due to temporary destocking of medical yarn by a key customer, Intervascular SAS (Intervascular). Production returned to normal levels, as scheduled, in January 2024.

The following commentary summarises the key changes in Normalised losses from 1H23 to 1H24.

Revenue, Direct Costs and Margin

Group revenue decreased 18%, from \$15.6m to \$12.7m (-\$2.8m):

- Hemp Black (1H24: \$7.1m; 1H23: \$7.7m)

Hemp Black revenue declined by 8% in 1H24. The reduction was principally due to the impact of temporary destocking of biomedical yarn by Intervascular, partially offset by growth in turf yarn sales (+\$1.2m) as well as revenue from new customers such as Cruz Foam.

Review of Operations and Results (continued)

Revenue, Direct Costs and Margin (continued)

- Ananda Health (1H24: \$5.0m; 1H23: \$6.8m)

Ananda Health's revenue declined by 27% in 1H24, mainly due to ongoing difficult trading conditions in the US CBD market.

Sales improved in December as Ananda Health launched its new GluNOzym™ product for blood glucose support. Ananda Health is introducing non-CBD products such as GluNOzym™ to complement its existing range for independent pharmacies and end consumers. Importantly, non-CBD products can be marketed with fewer regulatory restrictions than CBD-based products.

- Seed (1H24: \$0.7m, 1H23: \$1.1m)
- Food and pet products revenues discussed separately below as part of discontinuing operations

Gross margin for the Group, normalised for inventory impairments in Ananda Health, reduced from 57% to 50%. Within each business segment:

- Hemp Black margin was lower due to temporarily lower biomedical sales (1H24: 39%; 1H23: 49%)
- Ananda Health margin was lower due to higher sales of lower margin bulk products in 1H24 (1H24: 65%; 1H23: 69%)
- Seed business margin increased slightly (1H24: 57%; 1H23: 50%)

Other Income

The Group reported a \$37.7m loss in Other Income (1H23: -\$5.8m) due to asset impairments recognised in the period.

On a normalised basis, Other Income increased from nil to \$0.3m after eliminating impairments and foreign exchange losses.

Review of Operations and Results (continued)

Operating Expenses

Consolidated Group operating expenses reduced by 40% (1H24: \$11.5m, 1H23 \$19.1m), including the following normalised items:

- \$2.6 million EOF-Bio costs in the half, including staff (\$0.5m), employment incentives (\$0.2m), legal, compliance and setup costs (\$1.0m) and R&D (\$0.6m). This was the first period of these expenses being separately funded.
- \$3.7 million one-off credit for the cancellation of employee share rights held by the former CEO of the company.

On a normalised basis, excluding these two normalised items, operating expenses reduced by 34% (1H24: \$12.6m, 1H23 \$19.1m)

The \$6.5m reduction in Ecofibre's normalised operating costs includes the following changes, by cost type:

- Staff costs (-\$1.1m) reduced due to lower headcount
- Share based costs (-\$0.2m)
- Legal & compliance costs (-\$1.4m) as the prior period included the cost of gynecological patent applications, Nubridge facility lender fee, and defending and obtaining favourable court orders in a dispute with a former supplier.
- Operating cost investment in R&D (-\$2.5m) due to lower costs in Hemp Black (-\$0.2m) and Ananda Health (-\$2.2m).
- Depreciation (-\$0.9m) included the impact of asset impairments recognized in 2H23

By continuing business segment, the \$6.5m reduction in operating costs includes:

- Hemp Black (-\$1.3m) including lower staff costs (-\$0.6m) and sales and marketing, R&D and depreciation
- Ananda Health (-\$4.4m) includes lower R&D (-\$2.2m) and legal and compliance (\$0.9m), in part due to costs now separately funded by EOF Bio in 1H24. Depreciation was lower (-\$0.7m) due to prior period impairments to asset values, and staff costs reduced (-\$0.3m) due to lower headcount.
- Seed (+0.2m) including the cost of settling claims with growers for low-germination seed
- Corporate costs reduced (-\$1.0m), including lower legal and compliance costs (-\$0.4m) and lower staff costs (-\$0.2m)

Review of Operations and Results (continued)

Loss before income tax from discontinuing operations

For the food and pet products business, revenue increased by \$0.2m (1H24: \$1.1m, 1H23: \$0.9m), gross margin increased by 8% (1H24: 20%, 1H23: 12%), and operating costs reduced by \$0.3m (1H24: \$1.0m, 1H23: \$1.3m). Further details on the loss from discontinuing operations is provided in Note 5.

Income Tax

In 1H24 the group has not recognised any benefit for carried forward tax losses or other taxation timing differences that may become available to offset taxes on future profits. Pursuant to the requirements of AASB 112 Income Taxes, a Deferred Tax Asset is not recognised on the group's balance sheet.

Ecofibre had recognised an income tax benefit of \$7.3m during the prior period, which was in line with the increase in the company's loss before income tax at that time.

Balance Sheet and Cashflows

Cash

The Group had \$2.0m cash as at 31 December 2023, including \$0.1m held on account of EOF Bio and \$0.2m held as part of assets held for sale for the Ananda Food business. Including \$5.0m received for the sale of a 15% stake in EOF Bio in January 2024, and USD3.0m subsequently raised by EOF Bio, the Group had \$9.7m available to fund its operations and ongoing investments as at 31 January 2024.

1H24 cash movements comprised:

- \$7.6m operating cash outflows, including \$2.0m for EOF Bio.
- \$2.7m investing cash outflows for Hemp Black plant and equipment and commissioning costs associated with new production lines, as well as building modifications and improvements.
- \$5.0m financing cash inflows, including \$6.5m additional capital raised by group entities and a \$1.0 scheduled loan repayment.

Review of Operations and Results (continued)

Balance Sheet and Cashflows (continued)

The Group is focused on rapidly improving underlying operating cashflows and reducing repayment risk on upcoming loan repayments. In addition to operating cost savings, the group is also undertaking a program of asset sales to help fund operations and repay debt.

Balance Sheet

At the end of the period the group two groups of assets as held for sale:

- Land and Buildings (asset value: \$23.4m): The Board has 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. Proceeds from the sale of these properties are intended to be used to repay a \$15.7m secured loan which is due for repayment on 1 July 2024.
- Ananda Food (asset value: \$3.8m, liabilities: \$1.3m): in January 2024 the group entered into a conditional agreement to sell its hemp food and animal products business.

Excluding the value of assets held for sale, current assets total \$12.2m. Excluding the secured loan and liabilities associated with operations held for sale, current liabilities total \$4.6m.

The value of Goodwill associated with the purchase of the business and assets of the TexInnovate group of companies in August 2020 was partially impaired during the period (-\$26.8m), which reduced the carrying value of Goodwill to \$24.8m. This adjustment reflects potential risks associated with implementation and timing of Hemp Black's growth initiatives.

Non-current liabilities total \$21.0m, including two unsecured term loans (\$9.5m) and Contingent Consideration from the TexInnovate acquisition that may become payable if earnout targets are met (\$11.5m).

Overall, the Group's net assets reduced from \$74.6m at 30 June 2023 to \$30.6m during the period, and the number of shares on issue increased from 335.7m to 365.6m. 29.7m new shares were issued to raise \$5.3m in new equity capital, and 0.2m shares were issued from the Employee Share Trust. At the end of the period the Net Tangible Assets per share was 1.47 cps (30 June 2023: 6.28 cps), with the decline principally due to trading losses and impairments recognised for property plant & equipment and inventory.

The value of net assets, and the Consolidated Statement of Other Comprehensive Income, included a loss of \$1.4m in 1H24 because of the strengthened AUD and the consequent revaluation of the net assets of the group's US entities.

Review of Operations and Results (continued)

SUMMARY OF SEGMENT RESULTS

The following three tables summarise the normalised operating performance of the groups three operating businesses during the period.

Ananda Health Normalised		1H24	1H23	%
	Revenue	5.0	6.8	-27%
	Gross Margin	65%	69%	-4%
	Other Income (Expense)	0.0	0.0	-
	Operating Costs	(4.8)	(9.2)	48%
	EBITDA	(1.0)	(3.3)	70%
	Investments:			
	Research & Development	0.3	2.5	-89%
	Capital Expenditure	0.0	0.3	-97%

Hemp Black Normalised		1H24	1H23	%
	Revenue	7.1	7.7	-8%
	Gross Margin	39%	49%	-9%
	Other Income (Expense)	0.2	(0.0)	1054%
	Operating Costs	(5.0)	(6.2)	21%
	EBITDA	(1.2)	(1.6)	24%
	Investments			
	Research & Development	0.8	1.0	-22%
	Capital Expenditure	2.9	0.7	+309%

Seed Normalised		1H24	1H23	%
	Revenue	0.7	1.1	-34%
	Gross Margin	57%	50%	7%
	Other Income (Expense)	-	0.0	-
	Operating Costs	(0.4)	(0.2)	-94%
	EBITDA	(0.0)	0.3	-112%
	Investments:			
	Research & Development	-	(0.1)	-98%
	Capital Expenditure	-	-	-

Review of Operations and Results (continued)

MATERIAL BUSINESS RISKS

Ecofibre's strategy across its business portfolio exposes the Group to various risks, which are fully or partially mitigated in accordance with the Group's risk appetite and risk management framework. Risks and mitigating strategies include:

- Successful completion of asset sales, including freehold properties and the hemp food and pet products business, and other surplus or non-core assets identified by the Board, within necessary timeframes
- Managing fixed and working capital, including through improved profitability, to finance the operations of the business and re-pay or refinance Group loans.
- Improved operating profits and cashflows across each of the Group's businesses through revenue growth, and continued cost control, to deliver cash positive operations and profitability.
- Hemp Black's ongoing growth strategy and implementation, including completion of Under Armour knitting trials and signing final contracts; delivering on further opportunities to produce NEOLAST™ yarn; Cruz Foam expansion to full production capacity; successfully financing and commissioning a second turf line; and successfully establishing new product lines including new polymer compounds and bio-plastic products. Continued revenue growth and consequent profits for Hemp Black are necessary to support the carrying value of the Goodwill asset and the Contingent Consideration liability on the Group's balance sheet.
- Delivering improved performance by Ananda Health, including ongoing focus on professional healthcare and independent pharmacies and responding to high levels of competition in the US CBD market including through new non-CBD products.
- Ongoing progress in EOF Bio's clinical research program, securing necessary US FDA approvals, implementing a commercialisation pathway, and availability of ongoing investor funding
- US FDA position on CBD as a dietary supplement and managing ongoing regulatory change.
- Managing agricultural and yield risks in the fibre seed business as the business seeks to re-establish seed inventory and its sales pipeline.
- Mitigating key person risk and retention of critical staff.
- Global instability, including impacts on major customer strategies, supply chains and foreign exchange rates.

Other portfolio risks include systems complexity and cyber risk. The Group's businesses are dependent on sophisticated business processes and systems to operate effectively. If these systems do not operate as intended, through cyber-attack or otherwise, the group's ability to operate its businesses would be significantly impacted.

Environmental, social and governance risks are considered material to the Group's business strategies and financial prospects, particularly in relation to agricultural and yield risks. Any current risk from climate change may include unpredictable high impact weather events such as tornados in the United States or rain and frost events impacting crops which can cause significant damage in a short period, and the risk that any disaster recovery actions may not be sufficient to mitigate consequent losses.

Ecofibre published its most recent Governance Report in September 2023.

Review of Operations and Results (continued)

Dividend

No dividend was declared or paid during the half-year (1H23: Nil).

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financials/ Directors' Report) Instrument 2016/191, the amounts in this report are rounded to the nearest thousand dollars unless otherwise indicated.

Auditor's independence declaration

The auditor's independence declaration has been received and can be found on page 14 of the half-year report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the directors



Vanessa Wallace
Director

23 February 2024
Sydney, Australia



Mark Bayliss
Director

23 February 2024
Sydney, Australia

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ECOFIBRE LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck (Qld)
ABN 21 559 713 106

M. Monaghan

M J Monaghan
Director

Brisbane, 23 February 2024

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Vanessa Wallace
Director

23 February 2024
Sydney, Australia

Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue		12,719	15,558
Direct costs	4(a)	(7,206)	(13,107)
Gross profit		5,513	2,451
Other income (expense)	3	(37,661)	(5,776)
Other operating expenses	4(b)	(11,516)	(19,125)
Interest expense		(1,534)	(1,289)
Profit (loss) before income tax from continuing operations		(45,198)	(23,739)
Income tax credit (expense)		320	7,336
Profit (loss) after income tax from continuing operations		(44,878)	(16,403)
Profit (loss) after income tax from discontinuing operations	6	(811)	(1,205)
Profit (loss) after income tax for the period		(45,689)	(17,608)
Profit (loss) for the period is attributable to:			
Non-controlling interest	9	(111)	-
Members of the company		(45,578)	(17,608)
		(45,689)	(17,608)
Earnings (loss) per share from continuing operations:			
Basic earnings (loss) per share - cents		(12.64)	(4.89)
Diluted earnings (loss) per share - cents		(12.64)	(4.89)
Earnings (loss) per share from discontinuing operations:			
Basic earnings (loss) per share - cents		(0.23)	(0.36)
Diluted earnings (loss) per share - cents		(0.23)	(0.36)
Total earnings (loss) per share:			
Basic earnings (loss) per share - cents		(12.87)	(12.87)
Diluted earnings (loss) per share - cents		(12.87)	(12.87)

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

Consolidated Statement of Other Comprehensive Income

For the half-year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit (loss) after income tax for the half-year		(45,689)	(17,608)
Other comprehensive profit (loss) for the half-year:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entities		(1,372)	916
Total comprehensive profit (loss) for the half-year		<u>(47,061)</u>	<u>(16,692)</u>

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

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
CURRENT ASSETS			
Cash and cash equivalents	5	1,849	7,289
Trade and other receivables		2,384	2,885
Inventories		6,418	9,380
Biological assets		417	568
Other current assets		1,095	1,455
Tax recoverable		61	51
Assets of operations held for sale	6	3,800	-
Land and building held for sale	6	23,376	-
TOTAL CURRENT ASSETS		39,400	21,628
NON-CURRENT ASSETS			
Intangible assets	7	24,811	53,680
Right-of-use assets		24	305
Property, plant and equipment		8,958	43,121
TOTAL NON-CURRENT ASSETS		33,793	97,106
TOTAL ASSETS		73,193	118,734
CURRENT LIABILITIES			
Trade and other payables		4,588	5,113
Lease liabilities		26	335
Tax payable		31	15
Borrowings		15,682	1,000
Liabilities directly associated with operations held for sale		1,252	-
TOTAL CURRENT LIABILITIES		21,579	6,463
NON-CURRENT LIABILITIES			
Lease liabilities		-	92
Contingent consideration		11,487	11,518
Deferred tax liabilities		11	407
Borrowings		9,500	25,607
TOTAL NON-CURRENT LIABILITIES		20,998	37,624
TOTAL LIABILITIES		42,577	44,087
NET ASSETS		30,616	74,647

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

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
EQUITY			
Issued capital	8	120,677	115,673
Other equity	9	2,102	865
Foreign currency translation reserve		3,405	4,777
Accumulated losses		(111,495)	(65,917)
Share capital reserve		14,300	14,300
Share-based payment reserve		1,637	4,932
Equity attributable to the members of the company		<u>30,626</u>	<u>74,630</u>
Non-controlling interest	9	<u>(10)</u>	<u>17</u>
TOTAL EQUITY		<u>30,616</u>	<u>74,647</u>

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

	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 Jun 2023		115,673	865	4,932	14,300	4,777	(65,917)	17	74,647
Loss for the year		-	-	-	-	-	(45,578)	(111)	(45,689)
Other comprehensive income		-	-	-	-	(1,372)	-	-	(1,372)
Total comprehensive income for the period		-	-	-	-	(1,372)	(45,578)	(111)	(47,061)
Transaction with owners in their capacity as owners:									
Shares issued	8	5,339	-	-	-	-	-	-	5,339
Transactions with non-controlling interest	9	-	1,237	-	-	-	-	84	1,321
Share-based payments	8	32	-	(3,295)	-	-	-	-	(3,263)
Share issue cost	8	(367)	-	-	-	-	-	-	(367)
Balance 31 Dec 2023		120,677	2,102	1,637	14,300	3,405	(111,495)	(10)	30,616
Balance 30 June 2022		115,347	-	4,489	14,300	1,810	(26,004)	-	109,942
Loss for the year		-	-	-	-	-	(17,608)	-	(17,608)
Other comprehensive income		-	-	-	-	916	-	-	916
Total comprehensive income for the period		-	-	-	-	916	(17,608)	-	(16,692)
Transaction with owners in their capacity as owners:									
Shares issued		108	-	-	-	-	-	-	108
Share-based payments		99	-	467	-	-	-	-	566
Share issue cost		(20)	-	-	-	-	-	-	(20)
Balance 31 Dec 2022		115,534	-	4,956	14,300	2,726	(43,612)	-	93,904

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash flows from operating activities			
Receipts from customers		14,166	18,135
Government grants		730	1,838
Payments to suppliers and employees		(21,192)	(24,760)
Interest received		40	19
Interest paid		(1,344)	(1,071)
Income tax paid		(27)	(58)
Net cash flows used in operating activities		<u>(7,627)</u>	<u>(5,897)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(2,931)	(971)
Payments for business acquisition		-	(324)
Receipt from sale of property, plant and equipment		214	172
Other		14	(120)
Net cash flows used in investing activities		<u>(2,703)</u>	<u>(1,243)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	9,170
Repayment of borrowings		(1,000)	(2,000)
Repayment of lease liabilities		(177)	(238)
Proceeds from issue of shares		6,502	-
Share issue transaction costs		(367)	
Net cash flows generated from financing activities		<u>4,958</u>	<u>6,932</u>
Net decrease in cash and cash equivalents held		(5,372)	(208)
Cash and cash equivalents at the beginning of the financial year		7,289	7,251
Effect of movement in exchange rates on cash held		132	332
Cash and cash equivalents at the end of the period	5	<u>2,049</u>	<u>7,375</u>

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

Notes to the Consolidated Financial Statements

1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 together with any public announcements made during the half-year.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Principles of consolidation

The consolidated financial statements incorporate the results and assets and liabilities of all entities controlled by Ecofibre Limited ("parent entity") as at 31 December 2023 and results of all controlled entities for the period then ended. The parent entity and its controlled entities together are referred to in the financial statements as "the consolidated entity" or "the Group". Subsidiaries are all those entities over which the parent entity has control. The parent entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the parent entity.

Where controlled entities have entered the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses attributed to the consolidated entity are included in the value of the non-controlling interest in full, even if that results in a deficit balance.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These standards did not have an impact on the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

1. Material accounting policy information (continued)

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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 half year ended 31 December 2023 of \$45.689m (31 December 2022: \$17.608m) and net cash outflows from operations were \$7.627m (31 December 2022: \$5.897m). As at 31 December 2023, cash and cash equivalents were \$2.049m including cash held as part of discontinuing operations (\$0.2m) and cash in EOF Bio (\$0.1m). 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 Hemp Black
4. Realise value in EOF-Bio

1. Material accounting policy information (continued)

Going concern (continued)

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

- In January 2024 Ecofibre sold 15% of its holding in EOF Bio LLC for \$5.0m
- In February 2024 Ecofibre announced the sale of the hemp food and pet products business of Ananda Food Pty Ltd for \$2.0m + \$1.0 earnout based on the sales performance of the cat litter product. The transaction is expected to complete in late March 2024.
- Hemp Black recommenced the production and sale of biomedical yarns in early 2H24
- The Board has announced its 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. The Board is simultaneously considering options to refinance the loan.
- In 1H24 Hemp Black installed new equipment for the production of NEOLAST™ elastomer yarn for Under Armour, and production is expected to commence once final knitting trials are complete
- The group will seek proposals for the sale of other assets including surplus equipment, some or all of its hemp genetics, intellectual property or sale of a further stake in EOF Bio LLC.

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.

2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into six segments based on differences in products and services provided: nutraceuticals (Ananda Health), pharmaceutical R&D (EOF Bio), food (Ananda Food), fibre (Hemp Black), seed genetics (Seed), and Group Corporate functions. 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:

Hemp Black	Production and sale of innovative yarn and textile products primarily in the United States
Ananda Health	Production and sale of hemp related and other nutraceutical products in the United States and Australia
Seed	Growing and sale of hemp seed genetics
Ecofibre Corporate	Group corporate functions and some of the research and development activities of the Group
EOF Bio	Research and commercialise gynecological and other pharmaceutical treatments using hemp derived cannabinoids
Ananda Food (discontinuing)	Production and sale of hemp related hemp 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.

2. Operating segments (continued)

Operating segment information

a) Segment performance

	Hemp Black \$'000	Ananda Health \$'000	Seed \$'000	Corpor- ate \$'000	EOF Bio \$'000	Food \$'000	Business / assets held for sale Land & building \$'000	Total \$'000
Consolidated – 31 Dec 2023								
Revenue								
Sales to external customers	7,066	4,960	693	-	-	1,140	-	13,859
Total sales revenue	7,066	4,960	693	-	-	1,140	-	13,859
Other income (expense)								
Government grant	-	-	-	-	-	71	-	71
Foreign exchange gain/ (loss)	(2)	(3)	-	(258)	-	-	-	(263)
Interest income	-	-	-	40	-	-	-	40
Impairment loss	(29,064)	-	-	(8,665)	-	-	-	(37,729)
Other income	198	15	-	78	-	-	-	291
Total other income (expense)	(28,868)	12	-	(8,805)	-	71	-	(37,590)
Total expenses	(9,295)	(7,324)	(730)	(274)	(2,632)	(2,022)	-	(22,277)
Loss before income tax	(31,097)	(2,352)	(37)	(9,079)	(2,632)	(811)	-	(46,008)
Consolidated – 31 Dec 2022								
Revenue								
Sales to external customers	7,714	6,791	1,053	-	-	895	-	16,453
Intersegment sales	-	-	-	-	-	99	-	99
Total sales revenue	7,714	6,791	1,053	-	-	994	-	16,552
Other income (expense)								
Government grant	-	-	9	-	-	37	-	46
Foreign exchange gain/ (loss)	(13)	(18)	-	(74)	-	20	-	(85)
Interest income	-	-	-	15	-	-	-	15
Impairment loss	(4,035)	(1,688)	-	(86)	-	(9)	-	(5,818)
Other income	(8)	7	-	115	-	9	-	123
Total other income	(4,056)	(1,699)	9	(30)	-	57	-	(5,719)
Total expenses	(11,872)	(16,098)	(762)	(4,789)	-	(2,157)	-	(35,678)
Intersegment purchases	-	-	-	-	-	(48)	-	(48)
Segment loss before income tax	(8,214)	(11,006)	300	(4,819)	-	(1,154)	-	(24,893)
Intersegment eliminations								(51)
Loss before income tax								(24,944)

2. Operating segments (continued)

Operating segment information (continued)

b) Segment assets and liabilities

	Hemp Black \$'000	Ananda Health \$'000	Seed \$'000	Corpor- ate \$'000	EOF Bio \$'000	Food \$'000	Business / assets held for sale Land & building \$'000	Total \$'000
Consolidated – 31 Dec 2023								
Assets								
Segment assets	37,769	4,939	643	599	218	3,800	23,376	71,344
<i>Unallocated assets:</i>								
Cash and cash equivalents								1,849
Total assets								<u>73,193</u>
Liabilities								
Segment liabilities	12,601	809	1,013	1,264	456	1,252	-	17,395
<i>Unallocated liabilities:</i>								
Borrowings								25,182
Total liabilities								<u>42,577</u>
Consolidated – 30 Jun 2023								
Assets								
Segment assets	67,957	7,138	506	449	-	3,931	32,712	112,693
<i>Unallocated assets:</i>								
Cash and cash equivalents								7,089
Total assets								<u>119,782</u>
Liabilities								
Segment liabilities	2,142	1,413	1,535	12,510	-	928	-	18,528
<i>Unallocated liabilities:</i>								
Borrowings								26,607
Total liabilities								<u>45,135</u>

c) Geographical information

	Sales to external customers		Geographical non-current assets	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Australia				
Discontinuing		1,140	-	-
Continuing		719	6	1,371
United States of America				
Discontinuing		-	-	-
Continuing		12,000	33,787	95,735
		<u>13,859</u>	<u>33,793</u>	<u>97,106</u>

3. Other income / (expense) from continuing operations

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Government grant	-	9
Foreign exchange gain / (loss)	(261)	(105)
Interest	40	15
Impairment loss *	(37,730)	(5,809)
Other income	290	114
	<u>(37,661)</u>	<u>(5,776)</u>

* Breakdown of impairment loss:

Property, plant and equipment	(10,719)	(2,106)
Intangible assets (note 7)	(27,011)	(3,703)
	<u>(37,730)</u>	<u>(5,809)</u>

1H24 impairment loss for property, plant and equipment relates to difference between book value of the production facility in Georgetown and valuation done by an independent appraiser, which has been held for sale (\$8.7m) and write down of the Hemp Black pyrolysis machine (\$2.0m).

Impairment loss for intangible assets relates to goodwill (\$26.8m) and a customer list (\$0.2m) for the Hemp Black business.

1H23 impairment loss related to the part closure of the knitting business, specifically the garment business that uses Santoni machines for 3D and tubular knitting, and an impairment had been recognised in relation to fixed assets and intangible assets used in that business. During that period the Company had also made the decision to write down the balance of Ananda Health's fixed assets, inventory and intangible assets in line with lower capacity utilisation at its production facility in Georgetown, Kentucky, and in line with lower market values for key inputs such as hemp extracts used to blend and manufacture cannabinoid-based nutraceuticals.

4. Expenses from continuing operations

a) Direct costs

Costs of goods sold	6,311	6,624
Impairment of inventory	895	6,483
	<u>7,206</u>	<u>13,107</u>

b) Other operating expenses

Employees and contractors	6,929	7,532
Share based payments	(3,126)	500
Sales and marketing	585	725
Travel and accommodation	289	381
Equipment modification and maintenance	649	645
Short term leases	124	159
Legal fees and compliance	1,090	1,470
Accounting and audit	114	163
Depreciation and amortisation	1,370	2,258
Research and development	1,628	3,541
Bad and doubtful debts	(2)	2
Other	1,866	1,749
	<u>11,516</u>	<u>19,125</u>

5. Cash and cash equivalents

	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Cash and cash equivalents held by continuing operations	1,849	7,289
Cash and cash equivalents held by discontinuing operations	200	-
Cash and cash equivalents at the end of the period	2,049	7,289

6. Business and assets held for sale

Freehold Properties

The Board has 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 by 1 July 2024.

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 had been recorded to account for the difference between the market and book value.

Food and Pet Products business

On 12 February 2024, Ecofibre Limited entered into a conditional agreement to sell the hemp food and animal products business of Ananda Food Pty Ltd to a wholly owned subsidiary of Elixinol Wellness Limited (EXL).

The agreement provides for the sale of Ecofibre's shareholding in Ananda Food Pty Ltd to EXL for \$3.0m:

- \$2.0m cash payable on completion; and
- \$1.0m earnout subject to cat litter product sales between 1 April 2024 and 30 June 2025.

The sale is expected to complete by the end of March 2024 subject to various conditions, including receipt of 3rd party consents and completion of EXL's fully underwritten rights issue. The price is based on an agreed level of net tangible assets at completion.

Summary

The profit and loss of the business and assets held for sale are summarised below.

	Food business		Land & building		Total	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue	1,140	895	-	-	1,140	895
Direct costs	(959)	(841)	-	-	(959)	(841)
Gross profit	181	54	-	-	181	54
Other income (expense)	71	57	-	-	71	57
Other operating expenses	(1,049)	(1,290)	-	-	(1,049)	(1,290)
Interest expense	(14)	(26)	-	-	(14)	(26)
Profit (loss) before income tax of business/ assets held for sale	(811)	(1,205)	-	-	(811)	(1,205)
Income tax expense	-	-	-	-	-	-
Profit (loss) after income tax of business/ assets held for sale	(811)	(1,205)	-	-	(811)	(1,205)

6. Business and assets held for sale (continued)

Assets and liabilities directly related to the business and assets held for sale are summarised below.

	Food business 31 Dec 2023 \$'000	Land & building 31 Dec 2023 \$'000	Total 31 Dec 2023 \$'000
Cash and cash equivalents	200	-	200
Trade and other receivables	263	-	263
Inventories	2,022	-	2,022
Biological assets	90	-	90
Other current assets	119	-	119
Intangible assets	338	-	338
Right-of-use assets	160	-	160
Property, plant and equipment	608	23,376	23,984
Assets classified as held for sale	<u>3,800</u>	<u>23,376</u>	<u>27,176</u>
Trade and other payables	1,028	-	1,028
Lease liabilities	224	-	224
Borrowing	-	-	-
Liabilities classified as held for sale	<u>1,252</u>	<u>-</u>	<u>1,252</u>
Net assets	<u>2,548</u>	<u>23,376</u>	<u>25,924</u>

Cash flow related to the business and assets held for sale are summarised below.

	Food business		Land & building		Total	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash flows used in operating activities	(166)	(247)	-	-	(166)	(247)
Cash flows used in investing activities	(52)	(276)	-	-	(52)	(276)
Cash flows used in financing activities	218	523	-	-	218	523
Net movement in cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. Intangible assets

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Work in progress	60	-
Goodwill at 1 July	53,066	51,093
Less: Impairment	(26,820)	-
Foreign currency impact	(1,495)	1,973
Balance at 31 Dec / 30 June 2023	<u>24,751</u>	<u>53,066</u>
Patents, customer list and trademarks – at cost	797	4,039
Less: Accumulated amortisation	(262)	(378)
Less: Impairment	(191)	(3,047)
Foreign currency impact	(6)	-
	<u>338</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	53,923	56,581
Less: Accumulated amortisation	(262)	(1,162)
Less: Impairment (note 3)	(27,011)	(3,712)
Foreign currency impact	(1,501)	1,973
	<u>25,149</u>	<u>53,680</u>
Less: Intangibles held by business held for sale	(338)	(388)
	<u>24,811</u>	<u>53,292</u>

7. Intangible assets (continued)

Reconciliations

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

	Work in progress \$'000	Goodwill \$'000	Patents, customer list and trademarks \$'000	Software \$'000	Website development \$'000	Total \$'000
Balance at 1 Jul 2022	-	51,093	3,643	82	550	55,368
Transfer	-	-	-	-	-	-
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 Jul 2023	-	53,066	614	-	-	53,680
Transfer	-	-	-	-	-	-
Additions	60	-	-	-	-	60
Amortisation	-	-	(79)	-	-	(79)
Impairment	-	(26,820)	(191)	-	-	(27,011)
Exchange difference	-	(1,495)	(6)	-	-	(1,501)
Balance at 31 Dec 2023	60	24,751	338	-	-	25,149

Goodwill impairment testing

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

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Hemp Black (acquisition of TexInnovate business)	24,751	53,066

7. Intangible assets (continued)

The recoverable amount of the consolidated entity's goodwill has been determined by a 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.

The following key assumptions were used in the discounted cash flow model:

- 15% pre-tax discount rate (FY23: 15%) *
- 2.5% growth rate beyond the five-year forecast period
- 64% projected revenue growth averages 14% over the projected cash flow period (24% 30 June 2023). Management also prepared a base case and low case as part of its sensitivity analysis, with the recoverable amount being near to the mid-point of estimates.
- Since 30 June 2023, the Group has announced its intention to sell and leaseback the properties used in Hemp Black's operations, and the expected cost of the leases has now been reflected in the EBITDA cashflow forecasts used to assess the value of Goodwill. In addition, following slower than expected commissioning of NEOLAST machinery supplied by Under Armour, forecast timing and rate of growth in this business has been reduced pending completion of knitting trials. Additional forecast revenue growth is limited to existing revenue streams, or potential revenue from new equipment on order, including the recommencement of Intervascular sales, growth in Cruz Foam production, and a second turf line.

* 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, an impairment charge of \$26.8m has been applied as the carrying amount of the cash-generating unit exceeded its recoverable amount for the TexInnovate business previously acquired by Hemp Black. The recoverable amount was calculated as \$51.570m. There has been no corresponding reduction in the estimated value of the non-current liability for Contingent Consideration in the financial statements, which relates to the cash-based component of deferred consideration that will become payable if the TexInnovate business delivers two consecutive years of USD6.0m EBIT within 7 years of the August 2020 acquisition. This matter will be subject to a further assessment by the Board when it conducts its asset impairment review as at 30 June 2024.

8. Issued Capital

	31 Dec 2023 \$'000	30 Jun 2023 \$'000	31 Dec 2023 Quantity	30 Jun 2023 Quantity
Ordinary shares	120,677	115,673	365,554,116	335,744,765
Movement in ordinary shares				
Opening balance 1 Jul 2023 / 1 Jul 2022	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	32	238	150,000	150,000
Shares transferred to EST	-	-	-	(150,000)
Share issue cost	(367)	(20)	-	-
Closing balance	120,677	115,673	365,554,116	335,744,765

378,873,902 total shares are on issue by the parent entity, which includes 365,554,116 consolidated shares on issue plus shares held by the Employee Share Trust (EST) (13,319,786) which have been issued by the parent entity and are eliminated on consolidation.

9. Non-controlling interest

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

	31 Dec 2023 \$'000	30 Jun 2023 \$'000	31 Dec 2023 Quantity	30 Jun 2023 Quantity
Units issued: *				
Preference units	2,072	882	1,352	584
Common units	132	-	30,090	30,000
Total Contribution / Issued	2,203	882	31,442	30,584
Less: non-controlling interest [^]	(101)	(17)		
	2,102	865		

* In addition to the above, 3,600 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.

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

	31 Dec 2023 Quantity	30 Jun 2023 Quantity
Units held by:		
Ecofibre USA Inc.	30,000	30,000
Non-controlling interest	1,442	584
Total units issued	31,442	30,584
Ownership:		
Ecofibre USA Inc.	95.4%	98.1%
Non-controlling interest	4.6%	1.9%
	100%	100%

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 interest 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:

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Non-controlling interest – issued capital	101	17
Non-controlling interest – attribution of accumulated loss	(111)	-
	(10)	17

10. 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 subsidiaries:

Name	Principal place of business / Country of Incorporation	Ownership Interests	
		31 Dec 2023	30 Jun 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%
Hemp Black Inc. (HB) *	United States of America	100%	100%
Hemp Black Biomedical, LLC (HBB)	United States of America	100%	100%
Hemp Black Polymer, LLC (HBP)	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 LLC (BIO)	United States of America	95.4%	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.

HB's principal activity is to develop and commercialise innovative polymer, yarn and textile products. *

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

HBP'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 loans.

EU is a dormant entity.

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

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

* name changed to Ecofibre Advanced Technologies, Inc. effective 20 February 2024

11. Earnings per share (EPS)

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Earnings used in the calculation of basic and diluted EPS (\$'000)	(45,689)	(17,608)
Weighted average number of shares outstanding during the period used in the calculation of basic and diluted EPS:	Quantity	Quantity
Basic	354,942,741	335,603,932
Diluted	354,942,741	335,603,932

12. Contingent liabilities

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 August 2022 the court made orders in the Group's favour on all issues. The defendant has since appealed the court's judgement. As the matter is still before the courts, no further information has been disclosed as this may prejudice the position of the Group.

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 assessment includes a number of adjustments including:

- restating declared asset values to a value different from audited book values based on cost
- reclassifying assets between tax classes. The basis of these reclassifications is not apparent and the Group has sought further information to ascertain the basis of the adjustment
- categorising "Construction work in progress" for the Georgetown, Kentucky property office during the period of construction as personal property rather than as real property.

Based on advice from the Group's US tax advisor, an appeal will be lodged against the assessment. Given the intended appeal and ongoing discussions with the Commonwealth of Kentucky, it is not practicable to estimate the final cost that may be incurred in relation to this matter.

13. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's financial 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

Consolidated - 31 December 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Contingent consideration	-	11,487	-	11,487

Consolidated - 30 June 2023

<i>Liabilities</i>				
Contingent consideration	-	11,518	-	11,518

The fair value of contingent consideration is estimated based on the discounting of potential future cash outflow to present value.

14. Events after the reporting period

EOF Bio

In January 2024, Ecofibre sold 15% of its holding in EOF-Bio LLC, the separate entity established to commercialise Ecofibre's life sciences intellectual property. This sale raised \$5 million.

Following this, EOF-Bio secured USD3m additional funds through the issue of new preferred units in the entity to investors. These funds will be used by EOF-Bio to fund ongoing clinical research and commercialization of the portfolio of intellectual property.

Food and Pet Products business

On 12 February 2024, entered into a conditional agreement to sell the hemp food and animal products business of Ananda Food Pty Ltd to a wholly owned subsidiary of Elixinol Wellness Limited (EXL).

The agreement provides for the sale of Ecofibre's shareholding in Ananda Food Pty Ltd to EXL for \$3.0m:

- \$2.0m cash payable on completion, expected to occur in late March 2024; and
- \$1.0m earnout subject to the value of cat litter product sales between 1 April 2024 and 30 June 2025.

14. Events after the reporting period (continued)

The sale is expected to complete by the end of March 2024 subject to various conditions, including receipt of 3rd party consents and completion of EXL's fully underwritten rights issue. The price is based on an agreed level of net tangible assets at completion.

Ecofibre Advanced Technologies, Inc.

As the business continues to grow and expand the range of high performance technologies available to customers, Hemp Black Inc has changed its name to Ecofibre Advanced Technologies, Inc., and will rebrand its business operations in coming months.

Independent auditor's review report to the members of Ecofibre Limited

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Ecofibre Limited (the Company), and its subsidiaries (the Group) does not comply with the *Corporations Act 2001*, including:

giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and

complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of profit or loss for the half-year then ended
- the consolidated statement of other comprehensive income for the half-year then ended
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including material accounting policy information, and
- the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a loss of \$45.689m during the half-year ended 31 December 2023 and had net cash outflows from operations of \$7.627m. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

William Buck (Qld)
ABN 21 559 713 106

M. Monaghan

M J Monaghan
Director

Brisbane, 23 February 2024