

## 1. Company details

Name of entity:	Ecofibre Limited
ACN:	140 245 263
Half year ended (current period):	31 December 2019
Half year ended (previous period):	31 December 2018

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## 2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	118% to	29,029
Profit from ordinary activities after tax attributable to the owners of Ecofibre Limited	up	1883% to	7,078
Profit for the half-year attributable to the owners of Ecofibre Limited	up	1883% to	7,078
Basic earnings per share (cents)			2.41
Diluted earnings per share (cents)			2.36

### *Dividends*

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

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## 3. Net tangible assets

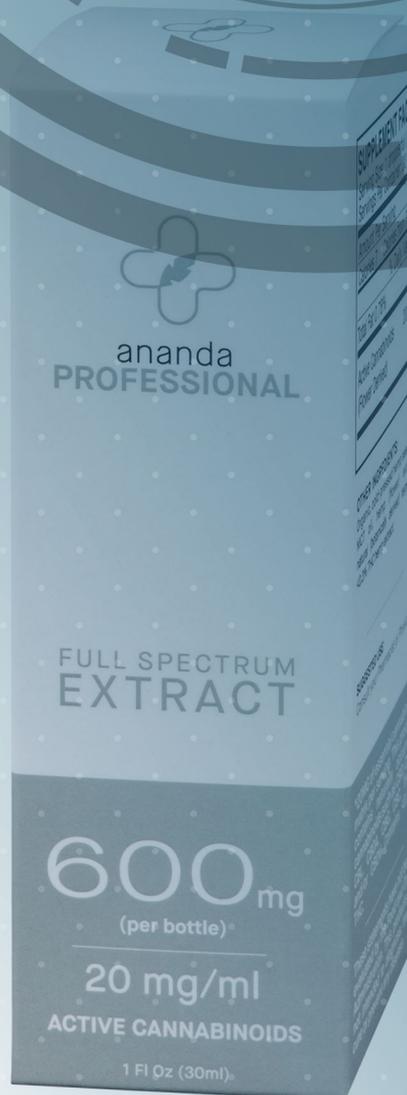
	31 December 2019 Cents	30 June 2019 Cents
Net tangible assets per ordinary security	<u>15.95</u>	<u>13.81</u>

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# ECOFIBRE

## HALF-YEAR FINANCIAL STATEMENTS 2020



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# Director's Report

The directors 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 2019.

## Directors

The following persons were directors of Ecofibre Limited during the whole of the half-year and up to the date of this report:

Barry Lambert  
Jon Meadmore  
Eric Wang

## Principal activities

The principal continuing activities of the Group during the half-year were breeding, growing, processing and distributing hemp products.

## Significant changes in the state of affairs

In the half-year, the Group issued 5,613,106 new shares, including final settlement of a convertible note (5,148,223 shares) and issue of shares to Thomas Jefferson University in relation to the Research and Share Subscription Agreement with that institution (464,883 shares). 338,769 shares have vested from the Employee Share Trust pursuant to the Group's Employee Share Scheme.

The Group continued construction of its new US Headquarters and production facility in Georgetown, Kentucky.

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

## Review of operations and results

The profit from ordinary activities for the Group for the half-year after providing for income tax amounted to \$7.1m (31 December 2018 half-year: loss of \$0.4m).

The net assets of the Group are \$52.5m, including cash and cash equivalents totalling \$23.2m, as at 31 December 2019. The Group has no long term debt.

The Ananda Health business continued to perform strongly. Revenue for the half-year totalled \$28.3m (31 December 2018 half year: \$12.0m) and gross margins increased to 82% (31 December 2018 half year: 66%).

On 25 November 2019, the US Food and Drug Administration ('FDA') announced that it had issued warning letters to 15 companies (Ecofibre was not one of the 15) for illegally selling products containing cannabidiol (CBD) in ways that violate the Federal Food, Drug, and Cosmetic Act (FD&C Act). Ecofibre has welcomed the FDA's focus on this market, and believes that the market will benefit from considered regulation in this new and forming industry.

## Review of operations and results (continued)

Ananda Health has started to supply several large US distributors and independent pharmacy buying groups (group purchasing organisations), to acquire new customers and service existing customers.

The Group received licences and permits to import and distribute Ananda Health products from the United States into Australia.

Ananda Health announced the results of an 8-week study on Hemp Derived CBD that had been published in the Journal of Postgraduate Medical and Hospital Practice, which showed statistically significant improvements in sleep and pain scores for a number of patients that had been using opioids to treat chronic pain. Additional future studies on Chemotherapy-induced peripheral Neuropathy and Dementia / Alzheimer's were also announced.

Ananda Food secured Woolworths as a major new client, and is supplying de-hulled seed and protein powder under the Woolworths Macro brand. The business also secured group-level approval to supply IGA stores with Ananda Food branded product.

The Hemp Black business is progressing to commercialise its fibre technologies. Construction of the company's new headquarters and production facility for selected Hemp Black feedstock is ahead of schedule and on-track for completion in April 2020.

No dividend was declared or paid during the half-year (31 December 2018 half-year: 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 3 of the half-year report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors




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Barry Lambert  
Director

4 February 2020  
Sydney




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Eric Wang  
Director

4 February 2020  
Sydney

The Directors  
Ecofibre Limited  
PO Box 108  
Virginia BC QLD 4014

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Ecofibre Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief there have been:

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

This declaration is in respect of Ecofibre Limited and the entities it controlled during the period



**William Buck (Qld)**  
ABN 21 559 713 106



**Junaide Latif**  
Director

Brisbane: 4 February 2020

#### ACCOUNTANTS & ADVISORS

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Brisbane QLD 4000  
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Brisbane QLD 4001  
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# 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 2019 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



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Barry Lambert  
Director

4 February 2020  
Sydney

# Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue	3(a)	29,029	13,324
Direct costs	4(a)	(5,566)	(4,661)
Gross profit		<hr/> 23,463	8,663
Other income	3(b)	250	1,520
Other operating expenses	4(b)	(15,089)	(10,147)
Interest expense		(76)	(250)
Profit/ (loss) before income tax		<hr/> 8,548	(214)
Income tax expense		(1,470)	(183)
Profit/ (loss) after income tax attributable to the members of the company		<hr/> 7,078	(397)
Earnings/ (loss) per share:			
Basic earnings/ (loss) per share - cents		2.41	(0.48)
Diluted earnings/ (loss) per share - cents		2.36	(0.48)

*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 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Profit/ (Loss) after income tax attributable to the members of the company		7,078	(397)
Other comprehensive income for the half-year:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entities		(216)	206
Total comprehensive income for the half-year attributable to the members of the company		<u>6,862</u>	<u>(191)</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 2019

	Note	31 Dec 2019 \$'000	30 Jun 2019 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		23,184	25,740
Trade and other receivables		6,393	2,808
Inventories		8,846	6,573
Biological assets		1,120	2,405
Tax recoverable		-	251
Other current assets		1,900	969
<b>TOTAL CURRENT ASSETS</b>		<b>41,443</b>	<b>38,746</b>
<b>NON-CURRENT ASSETS</b>			
Intangible assets		340	340
Right-of-use assets	5	1,363	-
Property, plant and equipment		14,016	6,655
Deferred tax assets		3,652	2,034
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,371</b>	<b>9,029</b>
<b>TOTAL ASSETS</b>		<b>60,814</b>	<b>47,775</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		4,929	3,740
Related party loans	6	-	1,340
Lease liabilities	5	567	-
Tax payable		1,627	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,123</b>	<b>5,080</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	5	816	-
Deferred tax liability		367	392
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,183</b>	<b>392</b>
<b>TOTAL LIABILITIES</b>		<b>8,306</b>	<b>5,472</b>
<b>NET ASSETS</b>		<b>52,508</b>	<b>42,303</b>
<b>EQUITY</b>			
Issued capital		58,092	56,189
Foreign currency translation reserve		34	250
Accumulated losses		(10,426)	(17,504)
Convertible loan reserve		-	139
Share-based payment reserve		4,808	3,229
<b>TOTAL EQUITY</b>		<b>52,508</b>	<b>42,303</b>

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 2019

	Note	Issued capital \$'000	Share-based payment reserve \$'000	Convertible loan reserve \$'000	Foreign currency translation reserve \$'000	Accumulated gains/ (losses) \$'000	Total \$'000
Balance 30 June 2019		56,189	3,229	139	250	(17,504)	42,303
Total comprehensive income for the year		-	-	-	(216)	7,078	6,862
Shares issued	7	249	-	-	-	-	249
Share-based payments	7	221	1,579	-	-	-	1,800
Convertible loan conversion to shares	7	1,433	-	(139)	-	-	1,294
Balance 31 December 2019		58,092	4,808	-	34	(10,426)	52,508

	Note	Issued capital \$'000	Share-based payment reserve \$'000	Convertible loan reserve \$'000	Foreign currency translation reserve \$'000	Accumulated gains/ (losses) \$'000	Total \$'000
Balance 30 June 2018		22,536	2,145	524	(141)	(23,504)	1,560
Total comprehensive income for the year		-	-	-	206	(397)	(191)
Shares issued		5,548	-	-	-	-	5,548
Share-based payments		2,184	(186)	-	-	-	1,998
Convertible loan conversion to shares		1,941	-	(195)	-	-	1,746
Balance 31 December 2018		32,209	1,959	329	65	(23,901)	10,661

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 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		24,820	12,223
Government grants		12	1,476
Payments to suppliers and employees		(19,004)	(12,964)
Interest received		142	22
Interest paid		(121)	(187)
Income tax paid		(1,234)	(177)
		<hr/>	<hr/>
Net cash flows generated from operating activities		4,615	393
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(7,014)	(2,156)
Receipt from sale of property, plant and equipment		81	-
Other		26	-
		<hr/>	<hr/>
Net cash flows used in investing activities		(6,907)	(2,156)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(572)
Repayment of lease liabilities		(275)	-
Proceeds from issue of shares		-	5,507
		<hr/>	<hr/>
Net cash flows (used in) / generated from financing activities		(275)	4,935
Net (decrease) / increase in cash and cash equivalents held		(2,567)	3,172
Cash and cash equivalents at the beginning of the financial year		25,740	2,756
Effect of movement in exchange rates on cash held		11	-
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year		23,184	5,928

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

# Notes to the Consolidated Financial Statements

## 1. Summary of significant accounting policies

### Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 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 2019 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.

### New or amended Accounting Standards and Interpretations adopted

The Group 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.

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

The following Accounting Standards and Interpretations are most relevant to the Group:

#### *AASB 16 Leases*

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption at 1 July 2019 is set out in Note 5.

## 1. Summary of significant accounting policies (continued)

### New or amended Accounting Standards and Interpretations adopted (continued)

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## 2. Operating segments

### *Identification of reportable operating segments*

The consolidated entity is organised into three operating segments based on differences in products and services provided: nutraceuticals, food and fibre. These operating 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. There is no aggregation of operating segments.

Other segments represent the research and development and corporate headquarter activities of the consolidated entity.

The BOD reviews the profit or loss before income tax for each segments. 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 these operating segments are as follows:

Ananda Health	Production and sale of hemp related nutraceutical products focused on the United States;
Ananda Food	Production and sale of hemp related food products in Australia;
Hemp Black	Development and commercialisation of innovative hemp related fibre products globally; and
Ecofibre Corporate	Plant research and development and group corporate functions.

### *Intersegment transactions*

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

### *Intersegment receivables, payables and loans*

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

## 2. Operating segments (continued)

## Operating segment information

## a) Segment performance

	Ananda Health \$'000	Ananda Food \$'000	Hemp Black \$'000	Ecofibre Corporate \$'000	Total \$'000
<b>Consolidated – 31 Dec 2019</b>					
Revenue					
Sales to external customers	28,293	736	-	-	29,029
Intersegment sales	-	258	-	-	258
<b>Total sales revenue</b>	<b>28,293</b>	<b>994</b>	<b>-</b>	<b>-</b>	<b>29,287</b>
R&D tax rebate	-	-	-	-	-
Interest income	8	-	-	168	176
Other income	47	4	-	23	74
<b>Total segment revenue</b>	<b>28,348</b>	<b>998</b>	<b>-</b>	<b>191</b>	<b>29,537</b>
Total expenses	(15,216)	(1,614)	(1,085)	(2,816)	(20,731)
Intersegment purchases	-	(185)	-	-	(185)
<b>Segment profit/ (loss) before income tax</b>	<b>13,132</b>	<b>(801)</b>	<b>(1,085)</b>	<b>(2,625)</b>	<b>8,621</b>
Intersegment eliminations					(73)
Profit before income tax					8,548
<b>Consolidated – 31 Dec 2018</b>					
Revenue					
Sales to external customers	12,048	1,276	-	-	13,324
R&D tax rebate	-	-	-	1,476	1,476
Interest income	18	-	-	4	22
Other income	41	6	-	(25)	22
<b>Total segment revenue</b>	<b>12,107</b>	<b>1,282</b>	<b>-</b>	<b>1,455</b>	<b>14,844</b>
Total expenses	(9,212)	(1,696)	(1,329)	(2,821)	(15,058)
<b>Segment profit/ (loss) before income tax</b>	<b>2,895</b>	<b>(414)</b>	<b>(1,329)</b>	<b>(1,366)</b>	<b>(214)</b>

## b) Segment assets and liabilities

## Consolidated – 31 Dec 2019

<b>Assets</b>					
Segment assets	23,591	6,652	2,846	4,541	37,630
<i>Unallocated assets:</i>					
Cash and cash equivalents					23,184
Total assets					60,814
<b>Liabilities</b>					
Segment liabilities	4,386	2,019	219	1,682	8,306
Total liabilities					8,306

## 2. Operating segments (continued)

## b) Segment assets and liabilities (continued)

	Ananda Health \$'000	Ananda Food \$'000	Hemp Black \$'000	Ecofibre Corporate \$'000	Total \$'000
<b>Consolidated – 30 June 2019</b>					
<b>Assets</b>					
Segment assets	12,501	4,818	2,221	2,495	22,035
Intersegment eliminations					
<i>Unallocated assets:</i>					
Cash and cash equivalents					25,740
Total assets					<u>47,775</u>
<b>Liabilities</b>					
Segment liabilities	2,184	931	24	993	4,132
Intersegment eliminations					
<i>Unallocated liabilities:</i>					
Related party loans and borrowings					1,340
Total liabilities					<u>5,472</u>

## 3. Revenue and other income

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
<b>a) Revenue</b>		
Sales	29,029	13,324
<b>b) Other income</b>		
Research and development tax rebate *	-	1,476
Interest	176	22
Other income	74	22
	<u>250</u>	<u>1,520</u>

\* As the Group's revenue exceeded AUD20 million in FY2019, the R&D tax offset becomes non-refundable according to the terms of the Research and Development Tax Incentive Program. The estimated R&D tax offset for FY2019 is recognised as a Deferred Tax Asset, and a corresponding credit to the Income Tax expense account in FY2020.

4. Expenses	31 Dec 2019	31 Dec 2018
a) Direct costs	\$'000	\$'000
Costs of goods sold	5,231	5,049
Write down of inventory	335	-
Reversal of inventory provision	-	(388)
	<u>5,566</u>	<u>4,661</u>
b) Other operating expenses		
Employees and contractors	6,700	5,211
Share based payments	1,667	1,892
Sales and marketing	1,425	547
Travel and accommodation	459	299
Equipment modification and maintenance	230	207
Rent	130	323
Legal fees and compliance	500	453
Accounting and audit	179	94
Depreciation	876	382
Other	2,923	739
	<u>15,089</u>	<u>10,147</u>

#### 5. Leases

The Group leases warehouse, factory and administrative facilities. The leases typically run for a period of 3 to 4 years with some leases having the option to renew the lease after that date. Lease payments are renegotiated upon expiry of the lease term to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under AASB 117.

The Group leases office equipment with contract terms of 5 years. These leases are for low-value items, and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application was 7.5%.

Information about leases for which the Group is a lessee is presented below.

##### i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as below:

	Buildings \$'000	Farming and processing equipment \$'000	Total \$'000
<b>2020</b>			
Balance at 1 July	1,440	-	1,440
Additions to right-of use assets	194	24	218
Depreciation charge for the half-year	(294)	(1)	(295)
Balance at 31 December 2019	<u>1,340</u>	<u>23</u>	<u>1,363</u>

## 5. Leases (continued)

## ii. Lease liabilities

The measurement principles of AASB 16 are only applied from 1 July 2019. At the date of initial application, the right-use-assets equals to the lease liabilities and there was no adjustment to the retained earnings. The lease liabilities are presented as below:

	Total \$'000
Operating lease commitments disclosed as at 30 June 2019	1,315
Changes to extension options assumptions and discounting using the lessee's incremental borrowing rate at the date of initial application	125
Balance at 1 July	<u>1,440</u>
New leases during the period	218
Payments	(316)
Interest charges during the period	41
Balance at 31 December 2019	<u>1,383</u>
Lease liability recognised as at 31 December 2019	
Of which are:	
Current lease liabilities	567
Non-current lease liabilities	<u>816</u>
	<u>1,383</u>

## iii. Amounts recognised in profit or loss

	Total \$'000
<i>31 December 2019 – Leases under AASB 16</i>	
Interest on lease liabilities	41
Depreciation charge	<u>295</u>
<i>31 December 2018 – Leases under AASB 117</i>	
Rental expense	<u>309</u>

## iv. Amounts recognised in statement of cash flows

	31 December 2019 \$'000
Cash outflow for leases:	
Financing cash outflow	275
Operating cash outflow	<u>41</u>

## v. Extension options

Some property leases contain extension options exercisable by the Group up to 2 years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses where it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

## 6. Related party loans

	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
<b>Current</b>		
Convertible loan – Lambert Superannuation Fund *	-	1,340
Total related party loans	-	1,340

The remaining balance of the convertible loan from the Lambert Superannuation Fund was converted into 5,148,223 shares on 30 September 2019 at \$0.257 per share.

## 7. Issued Capital

	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	\$'000	\$'000	Quantity	Quantity
Ordinary shares	58,092	56,189	297,903,353	291,951,478
<b>Movement in ordinary shares</b>				
Opening balance 1 Jul 2019/ 1 Jul 2018	56,189	22,536	291,951,478	80,195,441
Shares issued at \$1.61* per share	-	3,127	-	1,942,582
Shares issued at \$1.95* per share	-	4,196	-	2,151,630
First conversion of convertible loan	-	1,941	-	2,425,000
Shares issued as part of the ESS	-	2,229	-	1,383,422
Total prior to share split	56,189	34,029	291,951,478	88,098,075
Share split 3:1	-	-	-	176,196,150
Shares issued from initial public offering at \$1.00 per share	-	20,000	-	20,000,000
Shares issued at \$0.537 per share	249	-	464,883	-
Conversion of convertible loan	1,433	1,909	5,148,223	7,057,296
Shares issued by the EST	221	458	338,769	599,957
Share issue cost	-	(207)	-	-
Closing balance 31 Dec 2019/ 30 Jun 2019	58,092	56,189	297,903,353	291,951,478

\* Pre-share split price

314,962,257 total shares on issue by the parent entity, which includes 297,903,353 consolidated shares on issue plus shares held by the Employee Share Trust (EST) (17,058,904) which have been issued by the parent entity and are eliminated on consolidation.

## 8. Earnings per share (EPS)

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Earnings used in the calculation of basic and diluted EPS (\$'000)	7,078	(397)
Weighted average number of shares* outstanding during the period used in the calculation of basic and diluted EPS:		
Basic	293,516,056	82,496,073
Diluted	300,065,674	82,496,073

\* Weighted average number of shares exclude Treasury shares held in the EST. Note also that the Company implemented a 3:1 share split in February 2019.

## 9. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 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.

# Ecofibre Limited

## Independent auditor's review report to members

### Report on the Review of the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Ecofibre Limited (the company) on pages 5 to 18, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ecofibre Limited on pages 5 to 18 is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

#### Responsibilities of the Directors for the Half-Year 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 Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the company's financial position as at 31 December 2019 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.

As the auditor of Ecofibre Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

#### ACCOUNTANTS & ADVISORS

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Williambuck.com

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.

### **Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Ecofibre Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

A handwritten signature in black ink that reads 'William Buck'.

**William Buck (Qld)**  
ABN:21 559 713 106

A handwritten signature in black ink that reads 'J A Latif'.

**J A Latif**  
Director

Brisbane, 4 February 2020