

22 August 2022

### Appendix 4E – FY22

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides its Appendix 4E for the year ended 30 June 2022.

The investor presentation can be found on the ASX platform and also on the Company's website.

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#### **About Ecofibre**

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

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

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

Ananda Health is a leading US manufacturer of hemp-based nutraceuticals for the professional market. We produce CBD products for human and pet consumption, as well as topical health and beauty products. Our focus on high quality, efficacious and safe products is supported by a commitment to clinical research in Australia and the USA, focused on conditions including sleep, pain, anxiety, endometriosis and women's cancers. See [www.anandaprofessional.com](http://www.anandaprofessional.com).

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

#### **Authorisation**

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

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# ECOFIBRE

## APPENDIX 4E PRELIMINARY FINANCIAL REPORT **2022**



## 1. Company details

Name of entity:	Ecofibre Limited
ACN:	140 245 263
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

## 2. Results for announcement to the market

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

	30 Jun 2022 \$'000	30 Jun 2021 \$'000	Variance
Revenues from ordinary activities	30,220	28,793	+5%
Profit (Loss) from ordinary activities after tax attributable to the owners of Ecofibre Limited	(14,670)	(6,986)	-110%
Profit (Loss) for the year attributable to the owners of Ecofibre Limited	(14,670)	(6,986)	-110%
Basic earnings (loss) per share (cents)	(4.41)		
Diluted earnings (loss) per share (cents)	(4.41)		

### Dividends

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

### Comments

The loss from ordinary activities for the Group after providing for income tax amounted to \$14.7m (30 June 2021: \$7.0m).

The financial position of the consolidated entity includes net assets of \$109.9m (FY21: \$111.8m). At year end, the Group had \$23.7m available to fund its operations and ongoing investments, including \$7.3m cash on hand, \$7.1m one-off receivables from the US Federal Government, and an undrawn loan receivable totalling \$9.3m.

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

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>13.23</u>	<u>17.64</u>

### 4. Control gained over entities

Ecofibre USA RE LLC was formed by Ecofibre USA Inc. on 16 June 2022 as a special purpose entity for the securitisation of loans.

### 5. Loss of control over entities

Not applicable.

### 6. Details of associates and joint venture entities

Not applicable.

### 7. Audit qualification or review

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

The Annual Report is currently in the process of being audited and an unqualified opinion is expected to be issued.

## 8. Attachments

*Details of attachments (if any):*

The Preliminary Financial Report of Ecofibre Limited for the year ended 30 June 2022 is attached.

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## 9. Signed



Signed \_\_\_\_\_

Date: 22 August 2022

Vanessa Wallace  
Chairman  
Sydney

# Ecofibre Limited

ACN 140 245 263

## Preliminary Financial Report – 30 June 2022

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ECOFIBRE LIMITED  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
Revenue	3(a)	30,220	28,793
Direct costs	4(a)	(15,526)	(11,169)
Gross profit		14,694	17,624
Other income	3(b)	2,144	4,951
Other operating expenses	4(b)	(37,206)	(31,417)
Interest expense		(1,380)	(1,201)
Profit (Loss) before income tax		(21,748)	(10,043)
Income tax benefit		7,078	3,057
Profit (Loss) after income tax attributable to the members of the company		(14,670)	(6,986)
Earnings (Loss) per share:			
Basic earnings (loss) per share - cents		(4.41)	(2.16)
Diluted earnings (loss) per share - cents		(4.41)	(2.16)

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

ECOFIBRE LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022

		2022 \$'000	2021 \$'000
Profit (loss) after income tax attributable to the members of the company		(14,670)	(6,986)
Other comprehensive profit (loss) for the year:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entities	13	6,907	(4,922)
Total comprehensive profit (loss) for the year attributable to the members of the company		<u>(7,763)</u>	<u>(11,908)</u>

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



ECOFIBRE LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,251	8,620
Trade and other receivables		4,126	4,480
Inventories		15,702	16,413
Biological assets		579	1,350
Other current assets		5,086	4,986
Tax recoverable		3,943	3,357
<b>TOTAL CURRENT ASSETS</b>		<b>36,687</b>	<b>39,206</b>
<b>NON-CURRENT ASSETS</b>			
Intangible assets	5	55,368	50,642
Right-of-use assets		838	911
Property, plant and equipment	6	46,991	47,080
Deferred tax assets		9,670	3,906
<b>TOTAL NON-CURRENT ASSETS</b>		<b>112,867</b>	<b>102,539</b>
<b>TOTAL ASSETS</b>		<b>149,554</b>	<b>141,745</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		5,560	5,162
Lease liabilities		467	491
Tax payable		31	65
Borrowing		2,012	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,070</b>	<b>5,718</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		463	474
Related party loans	7	-	10,000
Contingent consideration		13,996	12,414
Deferred tax liabilities		318	1,278
Borrowing	8	16,765	64
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>31,542</b>	<b>24,230</b>
<b>TOTAL LIABILITIES</b>		<b>39,612</b>	<b>29,948</b>
<b>NET ASSETS</b>		<b>109,942</b>	<b>111,797</b>
<b>EQUITY</b>			
Issued capital	9	115,347	108,132
Foreign currency translation reserve	13	1,810	(5,097)
Accumulated losses		(26,004)	(11,334)
Share capital reserve		14,300	14,300
Share-based payment reserve		4,489	5,796
<b>TOTAL EQUITY</b>		<b>109,942</b>	<b>111,797</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 YEAR ENDED 30 JUNE 2022

Consolidated	Note	Issued capital \$'000	Share- based payment reserve \$'000	Share capital reserve \$'000	Foreign currency translation reserve \$'000	Accumulated gains (losses) \$'000	Total \$'000
Balance 30 June 2020		62,376	5,148	-	(175)	(4,348)	63,001
Total comprehensive income for the year		-	-	-	(4,922)	(6,986)	(11,908)
Shares issued	9	44,975	-	-	-	-	44,975
Share-based payments	9	1,125	648	-	-	-	1,773
Contingent consideration to TexInnovate		-	-	14,300	-	-	14,300
Share issue cost	9	(344)	-	-	-	-	(344)
Balance 30 June 2021		108,132	5,796	14,300	(5,097)	(11,334)	111,797
Total comprehensive income for the year		-	-	-	6,907	(14,670)	(7,763)
Share Options exercised	9	6,344	(2,067)	-	-	-	4,277
Share-based payments	9	911	760	-	-	-	1,671
Share issue cost	9	(40)	-	-	-	-	(40)
Balance 30 June 2022		115,347	4,489	14,300	1,810	(26,004)	109,942

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

ECOFIBRE LIMITED  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		31,386	32,866
Government grants		919	3,126
Payments to suppliers and employees		(41,957)	(42,161)
Interest received		4	24
Interest paid		(966)	(874)
Income tax paid		19	(1,339)
Net cash flows used in from operating activities		(10,595)	(8,358)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,792)	(5,780)
Payments for business acquisition	12	(314)	(22,729)
Payments for other intangible assets		-	(325)
Receipt from sale of property, plant and equipment		119	33
Other		(9)	63
Net cash flows used in investing activities		(2,996)	(28,738)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	8	8,725	-
Repayment of lease liabilities		(546)	(534)
Proceeds from issue of shares		4,277	29,500
Transaction costs related to issues of shares		-	(392)
Net cash flows generated from financing activities		12,456	28,574
Net decrease in cash and cash equivalents held		(1,135)	(8,522)
Cash and cash equivalents at the beginning of the financial year		8,620	18,252
Effect of movement in exchange rates on cash held		(234)	(1,110)
Cash and cash equivalents at the end of the financial year		7,251	8,620

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

## 1. Changes in accounting policies

The consolidated entity has adopted all 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.

## 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 (Ananda Health), food (Ananda Food) and fibre (Hemp Black).

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.

Other segments represent the corporate headquarter functions and some of the research and development activities of the Group.

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:

Ananda Health	Production and sale of hemp related nutraceutical products in the United States and Australia
Ananda Food	Production and sale of hemp related food products primarily in Australia
Hemp Black	Production and sale of innovative textile and hemp products primarily in the United States
Ecofibre Corporate	Group corporate functions and some of the research and development activities of the Group

### *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

	Ananda Health \$'000	Hemp Black \$'000	Ananda Food \$'000	Ecofibre Corporate \$'000	Total \$'000
<b>Consolidated - 2022</b>					
Revenue					
Sales to external customers	12,922	13,744	3,554	-	30,220
Intersegment sales	-	-	78	-	78
<b>Total sales revenue</b>	<b>12,922</b>	<b>13,744</b>	<b>3,632</b>	<b>-</b>	<b>30,298</b>
Government grant	498	867	10	-	1,375
Foreign exchange gain (loss)	(16)	(7)	(6)	568	539
Interest income	-	-	-	1	1
Other income	73	29	6	121	229
<b>Total revenue and other income</b>	<b>13,477</b>	<b>14,633</b>	<b>3,642</b>	<b>690</b>	<b>32,442</b>
Total expenses	(21,778)	(19,170)	(5,115)	(8,049)	(54,112)
Intersegment purchases	-	-	(49)	-	(49)
<b>Segment profit (loss) before income tax</b>	<b>(8,301)</b>	<b>(4,537)</b>	<b>(1,522)</b>	<b>(7,359)</b>	<b>(21,719)</b>
Intersegment eliminations					(29)
Profit (Loss) before income tax					(21,748)
<b>Consolidated - 2021</b>					
Revenue					
Sales to external customers	14,276	11,900	2,617	-	28,793
Intersegment sales	-	-	177	-	177
<b>Total sales revenue</b>	<b>14,276</b>	<b>11,900</b>	<b>2,794</b>	<b>-</b>	<b>28,970</b>
Government grant	3,688	1,116	133	323	5,260
Foreign exchange gain (loss)	22	(4)	(3)	(493)	(478)
Interest income	1	-	-	27	28
Other income	(18)	94	15	50	141
<b>Total revenue and other income</b>	<b>17,969</b>	<b>13,106</b>	<b>2,939</b>	<b>(93)</b>	<b>33,921</b>
Total expenses	(17,680)	(14,116)	(4,355)	(7,636)	(43,787)
Intersegment purchases	-	-	(80)	-	(80)
<b>Segment profit (loss) before income tax</b>	<b>289</b>	<b>(1,010)</b>	<b>(1,496)</b>	<b>(7,729)</b>	<b>(9,946)</b>
Intersegment eliminations					(97)
Profit (Loss) before income tax					(10,043)

## 2. Operating segments (continued)

### b) Segment assets and liabilities

	Ananda Health \$'000	Hemp Black \$'000	Ananda Food \$'000	Ecofibre Corporate \$'000	Total \$'000
<b>Consolidated - 2022</b>					
Assets					
Segment assets	16,824	82,296	5,374	37,809	142,303
<i>Unallocated assets:</i>					
Cash and cash equivalents					7,251
Total assets					149,554
Liabilities					
Segment liabilities	1,509	15,560	1,331	2,487	20,887
<i>Unallocated liabilities:</i>					
Borrowings					18,725
Total liabilities					39,612
<b>Consolidated - 2021</b>					
Assets					
Segment assets	20,411	70,319	6,583	35,812	133,125
<i>Unallocated assets:</i>					
Cash and cash equivalents					8,620
Total assets					141,745
Liabilities					
Segment liabilities	3,019	1,281	1,833	13,815	19,948
<i>Unallocated liabilities:</i>					
Related party loans and borrowings					10,000
Total liabilities					29,948

## 3. Revenue and other income

	2022 \$'000	2021 \$'000
<b>a) Revenue</b>		
Sales	30,220	28,793
<b>b) Other income</b>		
Government grant and tax incentives <sup>^</sup>	1,375	5,260
Foreign exchange gain (loss) <sup>*</sup>	539	(478)
Interest	1	28
Other income	229	141
	2,144	4,951

<sup>^</sup> Current year income predominantly relates to accrued US Employment Retention Credit (2022: \$1.4m, 2021: \$2.4m). The ERC was made available under the US federal government relief programs in recognition of the impact of the COVID-19 pandemic.

In 2021 the Group also derived significant benefits from the US Government Payroll Protection Program forgivable loan of \$2.4m.

<sup>\*</sup> Gain (loss) from revaluation of financial assets held in currencies other than Australian dollars.

#### 4. Expenses

	2022 \$'000	2021 \$'000
<b>a) Direct costs</b>		
Costs of goods sold	13,688	10,844
Write down of inventory	1,838	325
	<u>15,526</u>	<u>11,169</u>
<b>b) Other operating expenses</b>		
Employees and contractors *	14,095	12,651
Share based payments	1,671	1,773
Sales and marketing	2,260	1,896
Travel and accommodation	742	360
Equipment modification and maintenance	982	890
Short-term and low value lease payments	235	217
Legal fees and compliance	1,790	1,437
Accounting and audit	437	394
Depreciation and amortisation	5,073	4,290
Research and development *	6,285	4,442
Bad and doubtful debts	67	27
Other	3,569	3,040
	<u>37,206</u>	<u>31,417</u>

\* In 2022, employee and contractor expenses related to research and development work are classified as research and development, and 2021 costs have been restated accordingly.

## 5. Intangible assets

	2022 \$'000	2021 \$'000
Goodwill at 1 July / acquisition date	46,766	48,814
Foreign currency impact	4,327	(2,048)
Balance at 30 June 2022	<u>51,093</u>	<u>46,766</u>
Patents, customer list and trademarks – at cost	3,789	3,253
Less: Accumulated amortisation	(146)	(6)
	<u>3,643</u>	<u>3,247</u>
Software – at cost	320	282
Less: Accumulated amortisation	(238)	(148)
	<u>82</u>	<u>134</u>
Website development – at cost	905	557
Less: Accumulated amortisation	(355)	(92)
	<u>550</u>	<u>465</u>
Work in progress – at cost	<u>-</u>	<u>30</u>
Total intangible assets	56,107	50,888
Less: accumulated amortisation	(739)	(246)
	<u>55,368</u>	<u>50,642</u>



## 5. 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 July 2020	8	-	499	152	-	659
Transfer	(8)	-	-	8	-	-
Additions	30	48,814	2,794	65	557	52,260
Amortisation	-	-	(4)	(91)	(92)	(187)
Write off	-	-	(42)	-	-	(42)
Exchange difference	-	(2,048)	-	-	-	(2,048)
Balance at 1 July 2021	30	46,766	3,247	134	465	50,642
Transfer	(30)	-	-	30	-	-
Additions	-	-	536*	8	348	892
Amortisation	-	-	(139)	(90)	(243)	(472)
Exchange difference	-	4,327	(1)	-	(20)	4,306
Balance at 30 June 2022	-	51,093	3,643	82	550	55,368

\* Trademarks, customer lists and know-how acquired from Soul Seed (\$245k) and New Composite Partners (\$291k) (refer Note 12).

### Goodwill impairment testing

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

	2022 \$'000	2021 \$'000
Hemp Black (acquired business)	51,093	46,766

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.

## 5. Intangible assets (continued)

### *Goodwill impairment testing (continued)*

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

- 9.8% post-tax discount rate (FY21: 10.9%)
- 2.5% growth rate beyond the five year forecast period
- 40% - 100% per annum projected revenue growth rate over the projected cash flow period to fill \$75m annual production capacity by the FY26 financial year
- mono, bi and tri component yarn extrusion capacity activated as required to match customer demand
- Hemp Black is progressing a number of opportunities to fill its production capacity and grow revenue, including working with a strong pipeline of existing and new clients, including a global leader in outdoor turf yarn, a premium US department store, a global shoe manufacturer and electric vehicle manufacturers. Hemp Black can offer customised, high performance solutions to these clients because of its vertically integrated capabilities in polymer masterbatch and compounding, yarn extrusion and knitting.

The post-tax discount rate of 9.8% 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 also an effort by the consolidated entity to contain costs.

There were no other key assumptions.

Based on the above, the recoverable amount of Hemp Black (acquired business) exceeded the carrying amount.

### *Sensitivity*

The directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Revenue would need to decrease by more than 50% before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by more than double before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

## 6. Property, plant and equipment

	2022 \$'000	2021 \$'000
Capital work in progress	6,294	4,904
Land	2,900	2,680
Buildings	31,856	31,226
Less: accumulated depreciation	(1,603)	(814)
	30,253	30,412
Motor vehicles	522	498
Less: accumulated depreciation	(199)	(133)
	323	365
Office equipment	1,555	1,369
Less: accumulated depreciation	(1,089)	(649)
	466	720
Plant and machinery	13,719	12,500
Less: accumulated depreciation	(6,964)	(4,501)
	6,755	7,999
Total property, plant and equipment	56,846	53,177
Less: accumulated depreciation	(9,855)	(6,097)
	46,991	47,080

	Capital WIP \$'000	Land \$'000	Building \$'000	Motor vehicles \$'000	Office equipment \$'000	Plant and machinery \$'000	Total \$'000
<b>2022 Movement Schedule</b>							
Carrying value 1 July 2021	4,904	2,680	30,412	365	720	7,999	47,080
Additions	1,439	-	52	-	137	570	2,198
Transfer	(497)	-	-	-	-	497	-
Disposals	-	-	-	-	-	(116)	(116)
Depreciation	-	-	(789)	(66)	(440)	(2,722)	(4,017)
Exchange difference	448	220	578	24	49	527	1,846
Carrying value 30 June 2022	6,294	2,900	30,253	323	466	6,755	46,991

## 6. Property, plant and equipment (continued)

	Capital WIP	Land	Building	Motor vehicles	Office equipment	Plant and machinery	Total
<b>2021 Movement Schedule</b>							
Carrying value 1 July 2020	3,729	297	24,267	427	1,076	4,838	34,634
Additions	2,549	2,383	6,907	59	171	4,618	16,687
Transfer	(1,138)	-	-	-	-	1,138	-
Disposals	-	-	-	(21)	-	(36)	(57)
Depreciation	-	-	(763)	(65)	(432)	(2,291)	(3,551)
Exchange difference	(236)	-	1	(35)	(95)	(268)	(633)
Carrying value 30 June 2021	4,904	2,680	30,412	365	720	7,999	47,080

## 7. Related party loans

	2022 \$'000	2021 \$'000
<b>Related party loans</b>		
Non-current term loan	-	10,000

As at 30 June 2022, this loan is classified under Borrowings – see Note 8.

## 8. Borrowings

	2022 \$'000	2021 \$'000
<b>Current</b>		
Unsecured term loan	2,000	-
Chattel mortgage	12	-
	<u>2,012</u>	<u>-</u>
<b>Non-current</b>		
Unsecured term loans	11,500	-
Secured term loan	5,225	-
Chattel mortgage	40	64
	<u>16,765</u>	<u>64</u>

### Unsecured term loans

In June 2020, the Company obtained a \$10m loan from James & Cordelia Thiele Trust Fund. The interest rate on the loan was 8% p.a. In December 2021 the term of the loan was extended, and the repayment dates are now as follows: \$2m repayable on 15 July 2022, and \$8m repayable on 15 July 2023. Ecofibre also has an option to reduce the amount repayable on 15 July 2023 to \$2m, and to repay the remaining balance of \$6m on 15 July 2024.

In March 2022, Ecofibre received a \$3.5m loan from the Lambert Superannuation Fund. The interest rate on the loan was 10% p.a, and the loan is repayable on 15 July 2023.

## 8. Borrowings (continued)

### Secured term loan

In June 2022, the Group obtained a USD10m loan from Nubridge Commercial Lending LLC in the United States for a period of 2 years. The interest rate on the loan was 8.49% p.a, and the origination fee was USD0.2m. The Group's interests in the following properties were pledged as security for the loan: Corporate Boulevard, Georgetown, Kentucky; Cessna Drive, Greensboro, North Carolina; West Market Street, Greensboro, North Carolina. USD3.6m loan funds were received on 30 June 2022, and the balance of the loan funds were received in July 2022.

Reconciliation of proceeds from borrowings in 2022 as follows:

	\$'000
Unsecured term loan from Lambert Superannuation Fund	3,500
Secured term loan from Nubridge Commercial Lending LLC	5,225
Total proceeds from borrowings during the financial year	<u>8,725</u>

## 9. Issued capital

	2022 \$'000	2021 \$'000	2022 Quantity	2021 Quantity
Ordinary shares	115,348	108,152	335,510,772	326,696,691
<b>Movement in ordinary shares</b>				
Opening balance 1 July	108,132	62,376	326,696,691	305,619,401
Shares issued at \$0.537 per share	-	883	-	1,646,116
Shares issued at \$2.50 per share	-	29,500	-	11,800,000
TexInnovate acquisition shares (Note 10)	-	14,592	-	5,924,926
Share options exercised ^	6,344	-	7,964,581	-
Shares issued by the EST	911	1,125	849,500	1,706,248
Share issue cost	(40)	(344)	-	-
Closing balance 30 June	<u>115,347</u>	<u>108,132</u>	<u>335,510,772</u>	<u>326,696,691</u>

348,980,558 total shares are on issue by the parent entity, which includes 335,510,772 consolidated shares on issue plus shares held by the EST (13,469,786) which have been issued by the parent entity and are eliminated on consolidation.

^ On 28 October 2021, Thomas Jefferson University (TJU) has exercised an option over 7,964,581 shares at \$0.537 per share pursuant to the Research and Share Subscription Agreement. Breakdown of increase in amount of share capital from options exercised is as follows:

	\$'000
Cash proceeds from issue of shares @ \$0.537 per share	4,277
Share option fair value at grant date expensed over the term of the option	2,067
Increase in value of share capital	<u>6,344</u>

## 9. Issued capital (continued)

Reconciliation to the Consolidated Statement of Changes in Equity:

	\$'000
Balance at 30 June 2020	62,376
Shares issued	44,975
Share based payment: shares issued as part of the ESS	1,125
Share issue cost	(344)
Balance at 30 June 2021	108,132
Shares options exercised	6,344
Share based payment: shares issued as part of the ESS	911
Share issue cost	(40)
Balance at 30 June 2022	115,347

## 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 Interpretations issued by the Australian Accounting Standards Board ('AASB').

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

Name	Principal place of business / Country of Incorporation	Ownership Interests	
		2022 %	2021 %
Ecofibre Services Pty Ltd (ES)	Australia	100%	100%
Ananda Food Pty Ltd (AF)	Australia	100%	100%
Ecofibre Asia Pacific Pty Ltd (EAP) (formerly Ecofibre Holdings Pty Ltd)	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%	-
Ecofibre Uruguay SA (EU)	Uruguay	100%	100%

## 10. Interests in subsidiaries (continued)

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 hemp fibre 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.

## 11. Earnings per share (EPS)

	2022 \$'000	2021 \$'000
Earnings (Loss) used in the calculation of basic and diluted EPS (\$'000)	(14,670)	(6,986)
	No. 2022	No. 2021
Weighted average number of shares* outstanding during the period used in the calculation of basic and diluted EPS:		
Basic	332,533,170	322,746,559
Diluted**	332,533,170	322,746,559

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

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

## 12. Business acquisitions

In April 2022, the Group completed the acquisition of Soul Seed (Ananda Food) and New Composite Partners (Hemp Black).

Total consideration for the businesses:

- AU\$245,000 for Soul Seed, fully settled in cash
- US\$200,000 for New Composite Partners, consideration to be paid in equal 4 instalments. As at 30 June 2022, US\$50,000 had been settled in cash

Details of the acquisition are as follows:

	\$'000
Soul Seed	245
New Composite Partners	291
Acquisition-date fair value of the total consideration	<u>536</u>
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	<u>314</u>

## 13. Foreign currency translation reserve

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

The majority of the Company's business is conducted in Australian and United States dollars. The closing exchange rate for this currency pair changed by 8% during the year as the USD appreciated against the AUD (2022: AUD1 for USD0.6875, 2021: AUD1 for USD0.7511).

The foreign currency translation reserve as at 30 June 2022 consists of the following exchange differences:

Balance sheet component	Rate used for translation	\$'000
Investment in subsidiaries	Historical spot rate	2,929
Retained earnings	Average rate	(1,119)
Total		<u>1,810</u>

### Movement in the foreign currency translation reserve:

	\$'000
Balance at 30 June 2021	(5,097)
Exchange differences on translation of foreign controlled entities	6,907
Balance at 30 June 2022	<u>1,810</u>