



29 July 2020

Ecofibre Limited makes strategic acquisition to accelerate commercialisation of Hemp Black

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, OTC-NASDAQ Intl Designation: EOFBF) is pleased to announce that it has entered into a conditional agreement to acquire the portfolio of businesses and assets of its key manufacturing partner in North Carolina, USA. The portfolio includes five businesses that have deep technical expertise across a broad range of high-performance textile disciplines ("**TexInnovate**").

Ecofibre CEO Eric Wang states, "This is an incredibly important strategic move for Ecofibre as we accelerate the transition of Hemp Black from R&D to commercialisation. For the past two years we have worked with Thomas Jefferson University, led by Hemp Black Chief Innovation Officer Mark Sunderland, to develop a platform of intellectual property that allows us to sustainably deliver the natural anti-microbial and conductive properties of hemp into existing manufacturing supply chains for textiles, composites, coatings, paints and other industries."

"Through this period Jeff Bruner, President of TexInnovate, has been a very close partner in co-developing IP, building processes to deliver Hemp Black capabilities at industrial scale, designing and acquiring specialist equipment and developing / manufacturing the recently launched Hemp Black face mask to market."

"Over the past 18 months, Jeff has introduced Ecofibre and its Hemp Black technology to his existing core customer base who operate at the premium end of their respective industries. I am particularly excited at the potential of working closely with Jeff to bring Hemp Black to fruition with such a high-quality group of partners."

TexInnovate President Jeff Bruner states, "Two years ago when I was introduced to the concept, research and patents being developed by Hemp Black, I quickly became a significant shareholder. Since 2018, I continue to see the very strong commercial potential for this technology to not only solve problems that our customers find today, but more importantly advance the quality and technical aspects of a very wide array of products."

"I am very excited to enter the commercial phase of Hemp Black with Eric and his team and help innovate the high-performance textile industry to another level. During my career there have been several innovations that led to step function shifts in our industry. I believe Hemp Black has the technology to underpin another step function shift in how textiles can enable and perform."





Acquisition Highlights

- Ecofibre has entered into an Asset Sale Agreement (**ASA**) to acquire the businesses and assets of TexInnovate which is a portfolio of five businesses that work as an integrated manufacturing platform and will drive innovation and delivery for a range of products envisaged for Hemp Black.

Triad Polymers - best-in-class provider of performance masterbatch and custom compounding to the plastics industry for technical textiles, packaging and injection molding. Also one of the very few companies globally that can produce bi-component and tri-component polymer fibers

Trident Fibers - manufactures custom polymer-based yarns used for internal medical implants and applications

Fibex – premier synthetic yarn manufacturer for outdoor turfs for sports fields, playgrounds and other outdoor uses

Knitmasters – manufacturer of highly technical 2-D and 3-D knitted fabrics for a range of high performance uses

TexInnovate – designs and manufactures equipment for the four manufacturing business being acquired

- The acquisition immediately creates an integrated value chain for Hemp Black's key IP and technologies, enabling accelerated commercialisation of the business
- Consideration for the business and its operating assets is USD 42,000,000 and is structured as follows:
 - At completion, scheduled for 1 September 2020, Ecofibre will pay USD 21,000,000 comprising
 - USD 10,500,000 cash; and
 - USD 10,500,000 equivalent in Ecofibre shares, with the number of shares determined based on a VWAP price of Ecofibre's shares in the 5 days following this announcement (**Scrip Value**)
 - An "earnout" with a value up to USD 21,000,000, payable in 3 equal tranches (USD 7,000,000 each) on the 3rd, 4th and 5th anniversaries after completion. Each such payment will consist of 50% cash and 50% Ecofibre shares at the Scrip Value.

The earnout is subject to the acquired businesses delivering USD6m EBIT for two consecutive annual periods.

 - Consideration for real estate (c.USD 7,000,000) will be determined by independent market appraisal. The real estate includes three buildings on two properties that currently house TexInnovate. This portion of the acquisition will be settled in cash at completion.
- Completion is subject to due diligence and is scheduled to occur on 1 September 2020.



Conditional Transaction

Completion of the Asset Sale Agreement (**ASA**) for acquisition by Ecofibre of the TexInnovate business is subject to satisfactory due diligence by Ecofibre over a 30-day period. The ASA contains warranties, indemnities, restraints of trade and other commercial and legal provisions that Ecofibre considers appropriate for the transaction. Ecofibre intends to employ all of TexInnovate's staff at completion.

Capital raising

To fund the cash component payable at completion for the assets and property, Ecofibre has conducted a placement under its Listing Rule 7.1 capacity to existing institutional shareholders of \$29,500,000 in aggregate at an issue price of \$2.50. This price represents the Company's closing share price on Friday, 24 July 2020 and is in line with the 5-day VWAP following the Company's 4C announcement on July 20, 2020.

Timetable

An indicative timetable for the acquisition of the TexInnovate business and the placement is set out below:

Event	Date
Completion of placement	29 July 2020
New shares commence trading	3 August 2020
End of due diligence period	29 August 2020
Completion of acquisition - payment and issue of consideration shares and lodgment of Appendix 2A	1 September 2020
Consideration shares commence trading	3 September 2020

Note: Timetable is indicative and may be amended without notice.



Forward-Looking Statements

This release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Ecofibre.

These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

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About Ecofibre

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

In the United States, the Ananda Health is the #1 provider of hemp-derived CBD for retail pharmacies. The Company produces nutraceutical products for human and pet consumption, as well as topical creams and salves. See www.anandahemp.com and www.anandaprofessional.com. The Company also supplies its leading Ananda Hemp CBD products to Australians via the SAS B program.

In Australia, the Company produces 100% Australian grown and processed hemp food products including protein powders, de-hulled hemp seed and hemp oil. See www.anandafood.com.

The Company is also developing innovative hemp-based products in textiles and composite materials in partnership with TexInnovate in the United States. See www.hempblack.com.

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

Authorisation

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

