

22 July 2022

Ecofibre Limited - 4Q22 Update and 4C Report

HIGHLIGHTS

- 4Q22 revenue \$7.4m, in line with prior quarter and pcp
- Hemp Black successfully completes R&D of outdoor turf yarn for new clients, markets and applications. Revenues from new clients beginning 1Q23 and line capacity expected to increase by ~3x within 2 years to meet demand
- Independent pharmacy revenue up 9% on prior quarter
- Australian S3 (over the counter) CBD registration process on track, and enrolment for Phase III clinical trial to support application has closed
- Ananda Food continues to leverage its low-cost position and build scale, completing the acquisition of Soul Seeds for \$0.24m in 4Q22, and entering into a purchase agreement for ECS Botanics' food and wellness business for \$0.25m in July
- Year-end cash \$7.3m
 - operating cash outflows \$1.6m in 4Q22
 - USD10m loan funds received in June (3.6m) and July (6.4m)
 - USD4.8m US government receivables
- Investor tours announced:
 - 24 August 2022: Australian operations (Ananda Food)
 - 7-11 October 2022: US operations (Ananda Health and Hemp Black)

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, ADR:EOFBY) provides its Appendix 4C Quarterly Report for the three months ended 30 June 2022 (4Q22) together with an update on the Company's trading performance.

4Q22 Trading Update

Unaudited revenue for 4Q22 was \$7.4m, in line with prior corresponding period (pcp) and prior quarter. Unaudited total revenue for FY22 is \$30.2m, up 5% from \$28.8m in FY21.

Ecofibre CEO Eric Wang said, "Over the past 12 months we have seen good year-on-year revenue growth from Ananda Food (+34%) and Hemp Black (+15%), partially offset by lower revenues from Ananda Health (-9%)."

"During the quarter we continued to invest and progress key FY23 growth initiatives which include expanding of our high-performance outdoor turf line, entry into the bio-based plastics market, growing our share of the US Independent Pharmacy CBD market and increasing our footprint in Australian plant-based foods industry via Ananda Food."

"The Company also continues to progress FY24 growth initiatives which include the attractive S3 over-the-counter CBD market in Australia and hemp-based solutions that directly support the de-carbonisation agendas of industrial clients."

Hemp Black – 4Q22 revenue \$3.4m (\$3.6m in 3Q22)

Priority 1: Fill existing advanced manufacturing capacity

As noted last quarter, the Company continues to see strong demand in its core production capabilities, namely high-performance turf and medical yarns.

Hemp Black President Jeff Bruner said, "Our outdoor turf line operates on a 24x7 schedule to meet current demand. During the quarter we invested ~25% of turf yarn production capacity (foregone revenue) to develop a new yarn for several of the largest global manufacturers of outdoor turf. We are very pleased with the success of this new yarn and commercial production began in July."

Priority 2: Establish /eco6 as the bio-based carbon black alternative

CEO Eric Wang said, "One of Ecofibre's most important growth initiatives is to use our patents on /eco6 (hemp-based carbon black alternative) to provide genuine de-carbonisation solutions to industrial clients."

"During the quarter we received approval into the United States Department of Agriculture's (USDA's) BioPreferred® program. This approval allows Hemp Black to use the USDA Certified Biobased Product Label for eco6™. Test results by the USDA indicated 100% biobased content for eco6™."

Ananda Health – 4Q22 revenue \$3.4m (\$2.9m in 3Q22)

Priority 1: Grow Ananda Professional's #1 CBD brand positioning in US professional market

The increase in revenue for Ananda Health in 4Q22 included higher sales to independent pharmacies (+\$0.3m, +9%) compared with the prior quarter.

Priority 2: Become the #1 CBD brand in Australia - S3 OTC product registration

Ecofibre's sleep study, "Phase III Double-Blind, Randomised Placebo-Controlled Clinical Trial" has completed and closed the enrollment phase. The Company is awaiting the completion of the 8-week sleep study for the remainder of the study patients and remains on track to submit its S3 product registration in 2Q23.

The investment in this phase III clinical study supports Ananda Health's focus on achieving a first mover advantage and becoming the leading provider of over-the-counter CBD in Australia following TGA S3 product registration.

Priority 3: Advance gynecological cancer research portfolio towards commercial opportunities

The research collaboration with the University of Newcastle continues to accelerate ahead of final patent filings in late October 2022.

Ecofibre Chief Science Officer, Dr. Alex Capano said "We continue to be very encouraged by the ongoing progress of the study and see no changes in our original findings. We remain hopeful that our discoveries will provide critical solutions to urgent gynecological challenges. This is a compelling opportunity to improve the lives of women globally."

Ananda Food - revenue \$0.6m (\$0.8m in 3Q22)

Priority 1: Grow hemp food & ingredients manufacturing on the back of lowest cost and high food safety

Ananda Food sales were steady compared with the prior quarter, which included \$0.2m of seasonal seed drying revenues.

The business continued to leverage its low-cost manufacturing position and build scale in the quarter, completing the acquisition of Soul Seeds for \$0.24m.

In July, Ananda Food also agreed to purchase the hemp food and wellness business of ECS Botanics for \$0.25m. Contract completion is expected in early August once final due diligence is complete. Kieren Brown, Managing Director of Ananda Food states, "Ananda Food has been a white label supplier to ECS for some time, and this acquisition will further strengthen our supply

relationship with Coles and Woolworths. Ananda also gains new customer relationships and an expanded product range, including hemp terpenes wellness products".

"The hemp food industry in Australia is changing rapidly, and our vertically integrated capabilities, starting with our genetic seed bank, are positioning the business for profitable growth."

Investor tours

The Company will host investor tours in Australia and the United States on the following dates:

- *Newcastle, Australia:* August 24th. Ananda Food Operations
- *Kentucky and North Carolina, USA:* October 7-11. Ananda Health and Hemp Black Operations

Ecofibre welcomes investors to register their interest in attending these site visits or obtain further information by contacting ceo@ecofibre.com. We note the site visits are limited in capacity and whilst the Company will use best efforts, the Company may not be able to extend invitations to all attendance interest received.

Eric Wang said "All three of our businesses have evolved significantly in recent years. As COVID-related travel restrictions abate, this is a good opportunity for all shareholders to better understand the unique capabilities of each business, and the opportunities for growth in their respective markets".

Information from the tour will be posted on the Company's website for all shareholders during the tour dates.

Appendix 4C Cash Flow Discussion

The Company's cash position as at 30 June 2022 was \$7.3m (31 March 2022: \$5.1m).

- Cash outflow from **operating** activities in the quarter was \$1.6m, including:
 - Receipts from customers +\$8.1m, was higher than revenue for the quarter due to a reduction in accounts receivable of \$0.7m.
 - R&D (-\$1.0m) included the cost of clinical trials and research and development in all three lines of business, which are typically eligible for tax credits in Australia and the United States depending on the location of the work.

Cash R&D costs are expected to be significantly higher in the next quarter with a \$2.4m payment expected to Southern Cross University and the University of Newcastle for clinical studies supporting EOF's S3 OTC application and US patent filings respectively.

- Product manufacturing and operating costs (-\$2.9m) included minor grower payments for Ananda Food (-\$0.3m). Minimal further crop payments will be required for Ananda Health for the foreseeable future as the business continues to draw down on existing inventory of dried flower and CBD extracts to meet sales orders.
- Cashflows used in **investing** activities totaled -\$0.8m, mainly related to the ongoing development of new Hemp Black yarn extrusion lines and including \$0.3m for the purchase of Soul Seeds and the first installment for the purchase of New Composite Partners.
- Cashflows from **financing** activities in the quarter include USD3.6m loan funds received from NuBridge Commercial Lending LLC. The balance of funds (USD6.4m) was received from NuBridge in early July.

In July, the Company repaid AUD2.0m on a term loan from the James & Cordelia Thiele Trust Fund (Thiele).

Loan funds provided to the Company now total approximately AUD26.0m:

- AUD11.5m from Thiele and the Lambert Superannuation Fund; and
- USD10.0m from Nubridge

which represents approximately 33% of tangible assets as at 31 December 2021.

Other near-term operating cashflows are expected to include:

- USD2.1m receivable for US Employee Retention Credits (USD0.1m was received in 4Q22, and a further USD0.5m has been received in July); and
- USD2.7m refund of taxes paid in prior financial years due to a one-off measure in the US that permits FY21 tax losses to be carried-back against prior period taxable income.

In accordance with Listing Rule 4.7C.3, and as noted in Item 6 of the Appendix 4C Cashflow Statement, payments to related parties and their associates totaled \$182,000 during the quarter for directors' salaries and fees.

Investor Relations and Media please contact:

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investor-relations@ecofibre.com

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.

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.

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.

Authorisation

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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Ecofibre Limited

ABN

27 140 245 263

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,129	31,386
1.2 Payments for		
(a) research and development	(1,031)	(4,632)
(b) product manufacturing and operating costs	(2,914)	(14,327)
<i>Grower payments, Ananda Health</i>	-	(841)
<i>Grower payments, Ananda Food</i>	(263)	(1,022)
<i>Production costs</i>	(2,651)	(12,464)
(c) advertising and marketing	(397)	(1,896)
(d) leased assets	(68)	(235)
(e) staff costs	(3,816)	(13,209)
(f) administration and corporate costs	(1,268)	(7,658)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(380)	(966)
1.6 Income taxes refunded	3	19
1.7 Government grants and tax incentives	151	919
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,591)	(10,595)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(314)	(314)
(c) property, plant and equipment	(526)	(2,792)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	12	119
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(17)	(9)
2.6 Net cash from / (used in) investing activities	(845)	(2,996)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	4,277
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	5,225	8,725
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (payment for principal portion of lease liabilities)	(152)	(546)
3.10 Net cash from / (used in) financing activities	5,073	12,456

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,120	8,620
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,591)	(10,595)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(845)	(2,996)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,073	12,456
4.5	Effect of movement in exchange rates on cash held	(506)	(234)
4.6	Cash and cash equivalents at end of period	7,251	7,251

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,046	4,965
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits and credit card clearing accounts)	205	155
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,251	5,120

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	182
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	28,046	18,725
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	28,046	18,725
7.5	Unused financing facilities available at quarter end		9,321
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Lender: James & Cordelia Thiele Trust Fund</p> <ul style="list-style-type: none"> • Principal amount: AUD 10.0m • Date of original loan: June 2020 • Repayment date: \$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. • Interest rate: 8.0% p.a • Lender costs payable: nil • Security / collateral: nil • Financial covenants: nil <p>Lender: Lambert Superannuation Fund</p> <ul style="list-style-type: none"> • Principal amount: AUD 3.5m • Date of original loan: March 2022 • Repayment date: 15 July 2023 • Interest rate: 10.0% p.a • Lender costs payable: nil • Security / collateral: nil • Financial covenants: nil <p>Lender: Nubridge Commercial Lending LLC</p> <ul style="list-style-type: none"> • Principal amount: USD 10.0m • Date of original loan: June 2022 • Repayment date: June 2024, Ecofibre has the ability to fully or partially repay the loan without penalty during the final 6 months of the term • Interest rate: 8.49% p.a • Origination fee: USD200,000 + c\$15k costs upfront • Security / collateral: the interests of the Ecofibre group in the following properties have been pledged to the lender as security for the loan: Corporate Boulevard, Georgetown, Kentucky; Cessna Drive, Greensboro, North Carolina; West Market Street, Greensboro, North Carolina. • Financial covenants: nil 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,591)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,251
8.3 Unused finance facilities available at quarter end (item 7.5)	9,321
8.4 Total available funding (item 8.2 + item 8.3)	16,572
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	10.4
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

22 July 2022

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the

[name of board committee – eg Audit and Risk Committee]”. If it has been authorised for release to the market by a disclosure committee, you can insert here: “By the Disclosure Committee”.

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.