

31 July 2023

### Ecofibre Limited - 4Q23 Update and 4C Report

#### HIGHLIGHTS

- Revenue \$7.8m, up 7% pcp and down 5% on the prior quarter
  - result is net of \$1.3m credited to customers for damaged seed
  - Hemp Black delivered another record sales quarter
  - Ananda Health up 9% pcp and up 45% on the prior quarter
- Remain focused on delivering positive operating cashflow in FY24 supported by cost reductions and revenue growth initiatives
- Cash \$7.3m as of 30 June, which is in line with the prior quarter
- Hemp Black and Under Armour agree an MOU with intent to enter 3-year supply relationship, refer separate ASX announcement
  - will cover supply of yarn for apparel use
  - \$9.0m annual revenue expected at full production
  - Initial machine commissioning expected by early 2Q24 with the opportunity expected to grow beyond that
- Hemp Black secured a manufacturing agreement with sustainable packaging company Cruz Foam with a 3-year initial term
  - The production line is expected to be commissioned in 2Q24 with revenue of c\$3m at full production.
- EOF BIO LLC (EOF-BIO) established to commercialise intellectual property co-developed by Ecofibre and the University of Newcastle

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides its Appendix 4C Quarterly Report for the three months ended 30 June 2023 (4Q23) together with an update on the Company's trading performance.

## 4Q23 Trading Update

Unaudited revenue for 4Q23 was \$7.8m, up 7% on the prior corresponding period (pcp) and down 5% on the prior quarter.

Ecofibre CEO Eric Wang said, *"June quarter revenues include record sales for Hemp Black, higher sales in Ananda Health, and lower sales in Ananda Food due to \$1.3m in sales credits issued to fibre seed customers for goods damaged in transit from Australia to the US."*

*"We remain focused on returning the business to positive operating cashflows, supported by revenue growth initiatives. Our cost reduction program is also delivering as forecast, with operating expenses significantly lower in the second half of the year compared with the first half."*

### **Hemp Black** – 4Q23 revenue \$4.9m (\$3.4m in 4Q22)

Hemp Black delivered another record quarterly revenue result in 4Q23 with growth of 46% on pcp and 3% compared with the prior quarter, underpinned by Turf and Biomedical yarns. Biomedical yarn revenue growth included overstocking by a client post-COVID and is expected to be unwound to more normal levels in FY24.

Overall, 2H23 revenue is expected to be c25% higher than 1H23, and revenue growth is expected to continue into FY24 supported by the separately announced agreements with Under Armour Inc (Under Armour) and Cruz Foam Inc (Cruz Foam). These new contracts are also expected to underpin profitability for Hemp Black in FY24.

In summary, the agreements are as follows:

- *Under Armour*: supply of yarn for apparel use for an initial term of 3-years, with annual revenue at full production expected to be c\$9m. Production machinery is on-site at Hemp Black's premises and currently being assembled, and is expected to be commissioned by early 2Q24
- *Cruz Foam*: agreement for the manufacture of sustainable, bio-degradable packaging material for Cruz Foam's customers. The initial term is for 3-years and annual revenue at full production is estimated at \$3m. The production line is expected to be operational by early 2Q24 and is expected to ramp up as Cruz Foam grows its business

CEO Eric Wang said, *"When Ecofibre announced our strategic review earlier this year, we advised that one of the key opportunities for Hemp Black would be to secure new performance yarn clients. The outstanding technical capabilities of the team enable us to work with tier-1 clients on large-scale opportunities."*

### Ananda Health – 4Q23 revenue \$3.7m (\$3.4m in 4Q22)

Revenue in the quarter was 9% higher than pcp and 45% higher than 3Q23. The result was supported by a strong result in Australia while the US business continued to experience challenging conditions due to high levels of competition and discounting in the market.

There has been strong customer interest in new condition specific range of products launched in the US during the quarter. This combined with growth in Australia and cost cutting initiatives is helping the business push towards breakeven.

### EOF-BIO

During the quarter, EOF BIO LLC was established to commercialise intellectual property co-developed by Ecofibre and the University of Newcastle. The intellectual property includes several patents already issued in Ecofibre's gynaecological disorders portfolio.

EOF-BIO was established to achieve three strategic outcomes for Ecofibre shareholders:

1. raise new equity capital in the new entity from external investors in a manner that preserves a large majority of the potential upside from Ecofibre's R&D investment for existing Ecofibre shareholders
2. ensure dedicated management focus exists for EOF-BIO and establish relationships with leaders in the pharma and oncology industry
3. reduce the financial risk and associated costs with a biotech portfolio

The Company will continue to update the market in accordance with continuous disclosure requirements.

### Appendix 4C Cash Flow Discussion

The Company's cash position on 30 June 2023 was \$7.3m (31 March 2023: \$7.5m).

- Cash outflow from **operating** activities in the quarter was \$1.0m.
  - Receipts from customers (+\$8.9m) were \$1.1m higher than revenue due to timing differences between collections and sales.

- Cashflows in 1Q24 will include an \$0.8m payment by EOF-BIO to the University of Newcastle for gynaecological R&D, and will also reflect temporarily lower biomedical yarn sales (operating inflows down ~\$1m)
- Cash used in **investing** activities totalled \$0.3m in the quarter, mainly relating to building modifications for the Cruz Foam production facility.
- Cashflows from **financing** activities in the quarter were \$0.8m, reflecting initial funds raised from external investors for EOF-BIO.

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 totalled \$150,000 during the quarter for directors' salaries and fees.

#### EOF-BIO Cash Reporting

Accounting standards require EOF-BIO to be 100% consolidated into Ecofibre Group's financial statements, less one-line adjustments to recognise the value of external investor interests in net assets and profit or loss.

Cash amounts reported in EOF's Appendix 4C cashflow report will therefore include 100% of capital raised and expenses incurred in relation to EOF-BIO, and the Company will include appropriate commentary so that investors can identify those movements related to EOF-BIO.

#### **Investor Relations and Media, please contact:**

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### About Under Armour Inc.

Under Armour, Inc., headquartered in Baltimore, Maryland, is a leading inventor, marketer, and distributor of branded athletic performance apparel, footwear, and accessories. Designed to empower human performance, Under Armour's innovative products and experiences are engineered to make athletes better. For further information, please visit <http://about.underarmour.com>.

### About Cruz Foam

[Cruz Foam](#) is a circular materials company that produces regenerative, earth-digestible protective packaging foam and other eco-friendly solutions that offer a sustainable alternative to petroleum-based products. Cruz Foam's patented products are circular in nature, using biopolymers found in nature to create a compostable material using the existing supply chain and at a similar cost. Cruz Foam currently works with consumer-packaged goods, electronics, appliance, and durable goods companies. Cruz Foam is a mission-driven company creating impact at scale by empowering industry leaders to be the catalyst for a cleaner environment. Cruz Foam is headquartered in Santa Cruz, California.

### About Ecofibre

Ecofibre is a diversified industrial hemp company 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. It 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 and 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 gynecological diseases. See [www.anandaprofessional.com](http://www.anandaprofessional.com). Ananda Hemp provides Australians with medicinal cannabis products as part of the SAS-B program. Ananda Hemp provides a range of products manufactured at our US facility under the S4 and S8 categories. See [www.anadahemp.com.au](http://www.anadahemp.com.au).

Hemp Black is an industrial business focused on textiles and bioplastics, with specialist capabilities in yarn extrusion, knitting, and polymer compounding. We use innovative hemp-based composite technology to help de-carbonise consumer products and supply chains for various 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.

## 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 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,939	33,855
1.2 Payments for		
(a) research and development	(547)	(5,012)
(b) product manufacturing and operating costs	(3,437)	(15,113)
<i>Grower payments, Ananda Health</i>	-	-
<i>Grower payments, Ananda Food</i>	(40)	(914)
<i>Production costs</i>	(3,397)	(14,199)
(c) advertising and marketing	(228)	(1,329)
(d) leased assets	(139)	(395)
(e) staff costs	(3,633)	(14,373)
(f) administration and corporate costs	(1,403)	(8,939)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	165
1.5 Interest and other costs of finance paid	(670)	(2,355)
1.6 Income taxes	23	3,808
1.7 Government grants and tax incentives	52	2,629
1.8 Other (provide details if material)	1	150
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,030)</b>	<b>(6,909)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(1)	(399)
(c) property, plant and equipment	(402)	(1,708)
(d) investments	-	-

Appendix 4C  
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
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	55	495
(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)	-	32
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(348)</b>	<b>(1,580)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	871	871
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	9,170
3.6 Repayment of borrowings	-	(2,000)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (payment for principal portion of lease liabilities)	(66)	(405)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>805</b>	<b>7,636</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	7,544	7,251
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,030)	(6,909)

**Appendix 4C**  
**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(348)	(1,580)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	805	7,636
4.5	Effect of movement in exchange rates on cash held	319	892
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,290</b>	<b>7,290</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	6,999	7,273
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Nubridge retention, term deposits and credit card clearing accounts)	291	271
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,290</b>	<b>7,544</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	150
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.*

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	26,607	26,607
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>26,607</b>	<b>26,607</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 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>Lender: James &amp; Cordelia Thiele Trust Fund</p> <ul style="list-style-type: none"> <li>• Principal amount: AUD 8.0m</li> <li>• Date of original loan: June 2020</li> <li>• Repayment dates: \$1m repayable on 15 July 2023, \$1m repayable on 15 July 2024 and \$6m repayable on 15 July 2025</li> <li>• Interest rate: 11.0% p.a</li> <li>• Lender costs payable: nil</li> <li>• Security / collateral: nil</li> <li>• Financial covenants: nil</li> </ul> <p>Lender: Lambert Superannuation Fund</p> <ul style="list-style-type: none"> <li>• Principal amount: AUD 3.5m</li> <li>• Date of original loan: March 2022</li> <li>• Repayment date: 15 July 2025</li> <li>• Interest rate: 10.0% p.a</li> <li>• Lender costs payable: nil</li> <li>• Security / collateral: nil</li> <li>• Financial covenants: nil</li> </ul> <p>Lender: Nubridge Commercial Lending LLC</p> <ul style="list-style-type: none"> <li>• Principal amount: USD 10.0m</li> <li>• Date of original loan: June 2022</li> <li>• Repayment date: 1 July 2024, Ecofibre has the ability to fully or partially repay the loan without penalty during the final 6 months of the term</li> <li>• Interest rate: 8.49% p.a</li> <li>• Origination fee: USD200,000 + c\$15k costs upfront</li> <li>• 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.</li> <li>• Financial covenants: nil</li> </ul>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,030)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,290
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,290
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>7</b>
<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.

31 July 2023

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

**Appendix 4C**

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

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[*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.