

22 August 2023

Ecofibre Limited – FY23 Results and pathway to positive EBITDA

HIGHLIGHTS

- **FY23 normalised EBITDA: -\$13.2m (FY22 -\$17.2m)**
 - Revenue +8% to \$32.5m
 - Cash unchanged at \$7.3m
- **Refocused the business and reset cost base in 2H23**
 - Delivered \$11m in annualized cost savings (\$8.8m in cash cost savings)
 - Closed non-core business lines
 - Pathway to positive EBITDA in 2H24
- **Hemp Black adding quality global partnerships**
 - MOU for a 3-year specialty yarn supply partnership
 - Bio-degradable packaging manufacturing to commence in 1Q24
 - Full impact begins 2H24
- **Reset Balance Sheet and reduced financial risk**
 - 1H23 inventory and fixed & intangible asset adjustments
 - 2H23 deferred tax asset and TexInnovate earnout adjustments
 - Established EOF Bio to reduce risk and maintain research upside

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides an update on the implementation of its Strategic Review and Appendix 4E Financial Results for FY23.

Refocused business and reset cost base provides the platform for positive EBITDA in 2H24

During the second half of FY23, the Company completed the implementation of its strategic review, reset its cost base, and is well-advanced in establishing new long-term growth partnerships. As a result of these initiatives, the Company is targeting positive operating cashflows in FY24 and positive EBITDA for the second half of FY24.

A number of key outcomes were delivered in 2H23 that provide the Company with sources of sustainable, profitable growth over the medium to long term:

- Annualised cost reductions of \$11m (\$8.8m cash) in 2H23 as a result of:
 - Closing down unprofitable business lines to include plant science, apparel knitting, and non-core brands in Ananda Health
 - Right-sizing our Ananda Health business in line with our focus on the professional market
 - Establishing EOF Bio to reduce future financial risk and maintain equity upside from our investment in women's health solutions
- Increased focus on core Hemp Black capabilities will deliver new global supply partnerships utilizing Hemp Black's technical expertise in yarn extrusion and polymer compounding:
 - MOU with for a 3-year specialty yarn supply partnership. Expected FY24 revenue of c\$5m with annual revenue of \$9m at full capacity.
 - Contract to manufacture bio-degradable packaging anticipated to commence in 1Q24 and contribute further revenue growth in FY24 and beyond

CEO Eric Wang states, "I am pleased our progress in delivering on commitments made in February when we released our half-yearly results."

"In FY23, the business delivered 8% revenue growth, which was driven by the two existing Hemp Black business lines; outdoor turf and medical yarns. Both of these businesses are underpinned by very long-term clients who started with projects that required extended periods of R&D to innovate the appropriate solutions."

"In the second half we added two new partners in Hemp Black, and once in production we'll look to scale manufacturing volumes as we've done with our turf and medical yarn partners. We are also in the R&D phase with other potential clients, and the Company will keep the market informed in line with continuous disclosure requirements."

"Operating cash for 2H23 improved to an outflow of \$1.0m, compared to a 1H23 outflow of \$5.9m, despite lost revenues of c.\$3m from severe weather destroying seed crops."

Established EOF Bio to lower risk in commercialising women's health patent portfolio

In 2H23 Ecofibre established EOF Bio to reduce the financial risks and costs of commercialising our patent portfolio, while preserving most of the potential upside.

The women's health portfolio presents large market opportunities for treating ovarian cancer, endometrial cancer, and a range of non-cancer gynecological disorders.

Ecofibre will provide a detailed market update on this initiative for all shareholders and other guests on October 18th at 5:30 pm at an event to be held in Sydney. The update will be recorded and published for the information of all shareholders, and further details will be provided ahead of the event.

The Company will keep the market informed of material changes in the status of EOF Bio in accordance with continuous disclosure requirements.

Balance sheet reset to reflect outcomes of the strategic review

In 1H23, the Company reported non-cash balance sheet adjustments totalling \$12.4m. These comprised impairments to the value of assets in Ananda Health and Hemp Black, which resulted from the closure of our apparel and 3D knitting business as well as market value adjustments.

In 2H23, Deferred Tax Asset (DTA) on the balance sheet was adjusted by -\$13.7m to meet accounting standard requirements, although all tax losses remain available for future use.

Contingent consideration was also adjusted and the liability reduced by \$3.5m to account for a two-year extension of the earnout from the TexInnovate acquisition. This extension was made to account for the impact of COVID shortly after the acquisition, and ensures an additional four years of leadership continuity in Hemp Black as it enters its important implementation and growth phase with new partners.

Appendix 4E Financial Results and the FY23 results presentation are provided in the accompanying ASX announcements.

Investor Relations and Media, please contact:

Jonathan Brown, Company Secretary, Ecofibre Limited
Level 12, 680 George Street, Sydney NSW 2000
investor-relations@ecofibre.com

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 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 anadaprofessional.com. Ananda Hemp provides Australians with medicinal cannabis products as part of the SAS-B program. Ananda Hemp offers a range of products manufactured at our US facility under the S4 and S8 categories. See 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 hempblack.com.

Authorisation

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