



ECOFIBRE

FY23 Results

Eric Wang, CEO

Jonathan Brown, CFO

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AGENDA, FY23 RESULTS

Item

Presenter

Overview

Eric Wang

Results

Jonathan Brown

Strategy

Eric Wang

Outlook

Eric Wang

FY23 RESULTS: BUSINESS ON THE PATHWAY TO POSITIVE EBITDA IN 2H24

- **Refocused business and reset cost base – targeting positive operating cash flow in FY24**
 - Closed down non-core business lines
 - Delivered \$11m in annualized cost savings (\$8.8m in cash cost savings)
 - 2H23 operating costs declined by 27% vs 1H23 (\$5.5m)
- **FY23 revenue growth of 8% driven by existing Hemp Black business lines**
 - Hemp Black revenue growth of 26% from Turf and Biomedical yarn business lines
 - Ananda Health delivered flat revenues despite industry headwinds in the US
 - Lost revenues of \$3m for US planting seed in 2H23 due to weather-related crop loss in the US
- **Hemp Black continues to add quality partnerships – full impact in 2H24:**
 - MOU for a 3-year specialty yarn supply partnership. Expected FY24 revenue of c\$5m with annual revenue of \$9m at full capacity. Growth from a second machine is expected within the next 12-18 months.
 - Bio-degradable packaging manufacturing to commence in 1Q24 and contribute further revenue growth in FY24 and beyond
- **Reset Balance Sheet and reduced financial risk**
 - Established EOF Bio to reduce risk and maintain upside from commercialising clinical research portfolio
 - 1H23 inventory and asset adjustments, 2H23 deferred tax asset and TexInnovate earnout adjustments

Revenue
up 8% from
\$30.2m to
\$32.5m

Cash
unchanged at
\$7.3m

**Cost Savings
1H23 vs 2H23¹**
down 27%
\$11.0m

**Cash Savings
1H23 vs 2H23²**
down 25%
\$8.8m

**EBITDA
FY22 vs FY23³**
up from
-\$17.2m to
-\$13.2m

**EBITDA
1H23 vs 2H23³**
up from
-\$8.6m to
-\$4.6m

¹ Annualised reduction in total operating costs

² Annualised reduction in total operating costs, excluding reduction in non-cash depreciation and share based payments

³ Normalised NPAT and EBITDA excludes \$12.4m of inventory and fixed & intangible asset impairments announced in 1H23, DTA and contingent consideration adjustments in 2H23, and government grants and FX gains / losses in Other Income

FY23 RESULTS OVERVIEW

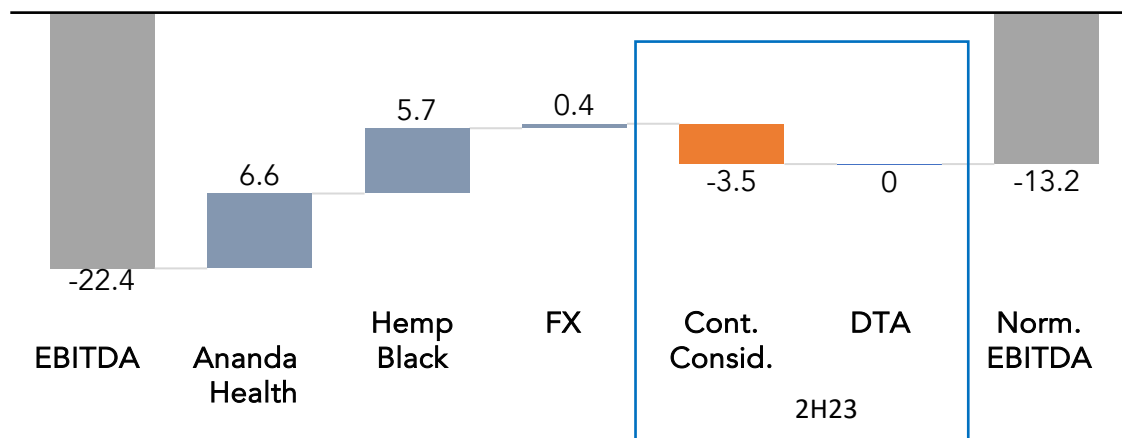
A\$m	1H23 Norm ¹	2H23 Norm ¹	FY23 Norm ¹	FY22 Norm ¹
Revenue	16.5	16.1	32.5	30.2
Gross margin	55%	51%	53%	49%
Other income	0.1	0.3	0.4	0.2
Operating expenses	20.4	15.0	35.4	37.2
EBITDA	(8.6)	(4.6)	(13.2)	(17.2)
NPAT	(8.5)	(10.9)	(19.4)	(16.1)
Investment costs				
- capital	1.3	0.3	1.6	3.0
- R&D	3.6	1.2	4.8	6.3
Cash at Balance Date	7.4	7.3	7.3	7.3

Comments
<ul style="list-style-type: none"> ➤ Improved underlying result <ul style="list-style-type: none"> • EBITDA improvement from FY22 (-\$17.2m) to FY23 (-\$13.2m) • EBITDA improvement from 1H23 (-\$8.6m) to 2H23 (-\$4.6m) • Includes 2H23 loss of \$3m in US seed sales due to severe weather ➤ Further improved product (gross) margins ➤ 2H23 Operating expenses down \$5.4m vs 1H23 (-27%) <ul style="list-style-type: none"> • R&D, -\$2.4m • Staff & contractors, -\$1.1m (incl. share based payments, -\$0.5m) • Legal and professional, -\$0.9m • Depreciation, -\$0.7m ➤ Investments reduced to mission critical <ul style="list-style-type: none"> • Hemp Black capital investment • Ananda Health clinical studies for AUS S3 and Gynecological diseases portfolio ➤ Cash steady <ul style="list-style-type: none"> • \$7.3m available

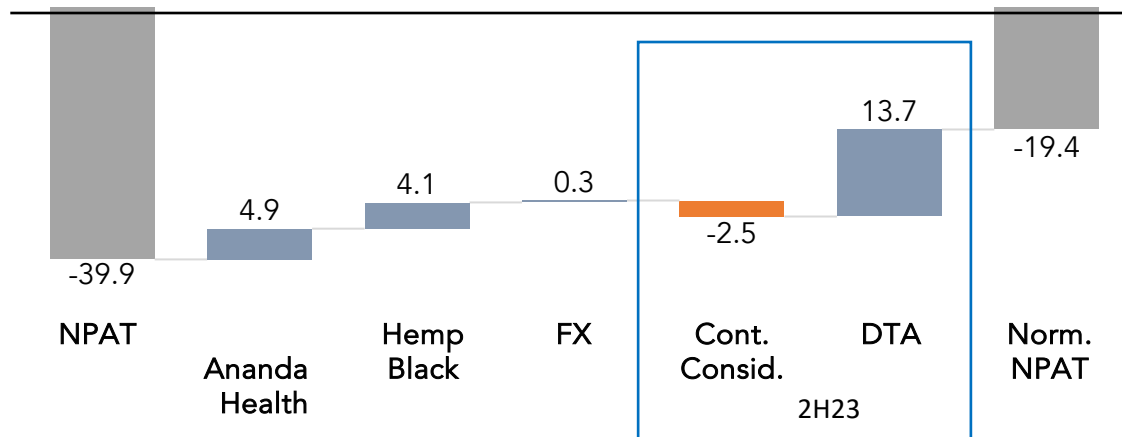
¹ Normalised NPAT and EBITDA excludes \$12.4m of inventory and fixed & intangible asset impairments announced in 1H23, DTA and contingent consideration adjustments in 2H23, and government grants and FX gains / losses in Other Income

FY23 RESULTS: EBITDA REFLECTS RESET BALANCE SHEET IN LINE WITH REFOCUSSED BUSINESS

FY23 Normalised EBITDA, A\$m



FY23 Normalised NPAT, A\$m



- **1H23**, non-cash impairments realigning capacity for improved performance into FY24
 - Ananda Health aligned to business conditions: WIP inventory to current market value, fixed assets reflect capacity requirements, and software assets no longer in use.
 - Hemp Black exited loss-making apparel business: finished goods inventory, knitting machines, and intangible assets

- **2H23**, accounting adjustments
 - Adjusted Deferred Tax Asset (DTA) (2H23: \$13.7m) to meet accounting standard requirements. All tax losses remain available for future use
 - Extended TexInnovate earnout by 2 years to ensure continuity of key staff in Hemp Black. Adjustment to contingent consideration

AGENDA, FY23 RESULTS

Item *Presenter*

Overview Eric Wang

Results Jonathan Brown

Strategy Eric Wang

Outlook Eric Wang



FY23 CONSOLIDATED PROFIT & LOSS

A\$m	1H23 Norm. ¹	2H23 Norm. ¹	FY23 Norm. ¹	FY22 Norm. ¹	Comments
Revenue	16.5	16.1	32.5	30.2	<ul style="list-style-type: none"> ➤ Revenue growth in Hemp Black (+26%) and Ananda Health (+1%); Ananda Food (-37%). Ananda Food revenues were impacted by crop failure resulting in lost sales ➤ Normalised gross margins improved to 53% <ul style="list-style-type: none"> • Ananda Health 70% • Hemp Black 50% • Ananda Food (-15% excluding inventory impairments, +14% if also exclude 2H23 seed crop losses) ➤ FY23 operating expenses include lower R&D (-\$1.5m) <ul style="list-style-type: none"> • 1H23 \$20.4m • 2H23 \$15.0m ➤ Interest expense increased due to secured loan facility from July 2022 ➤ See normalisation table in Appendix
Direct costs	(7.4)	(7.9)	(15.2)	(15.5)	
Gross profit	9.1	8.2	17.3	14.7	
Other income	0.1	0.3	0.4	0.2	
Operating expenses	20.4	15.0	35.4	37.2	
Interest expense	(1.3)	(1.6)	(2.9)	(1.4)	
Profit (loss) before income tax	(12.6)	(8.1)	(20.6)	(23.7)	
Income tax benefit (cost)	4.1	(2.8)	1.3	7.6	
NPAT	(8.5)	(10.9)	(19.4)	(16.1)	
EBITDA	(8.6)	(4.6)	(13.2)	(17.2)	

¹ Normalised NPAT and EBITDA excludes \$12.4m of inventory and fixed & intangible asset impairments announced in 1H23, DTA and contingent consideration adjustments in 2H23, and government grants and FX gains / losses in Other Income

FY23 BALANCE SHEET

A\$m	FY23	FY22
Cash & equivalents	7.3	7.3
Receivables	2.9	4.1
Inventory & biological assets	9.9	16.3
Other current assets	1.5	9.0
Total Current Assets	21.6	36.7
Intangible assets	54.0	56.2
Property, Plant & Equipment	43.1	47.0
Deferred tax assets	-	9.7
Total Non-Current Assets	97.1	112.9
Total Assets	118.7	149.6
Term loan	1.0	2.0
Trade & other payables	5.5	6.1
Total Current Liabilities	6.5	8.1
Term loans	25.6	16.8
Contingent consideration	11.5	14.0
Other	0.5	0.8
Total Non-Current Liabilities	37.6	31.5
Total Liabilities	44.1	39.6
Net Assets / Total Equity	74.6	109.9

Comments

Net Assets are down \$35.3m as a result of balance sheet actions (impairments, right-sizing, and accounting - \$26.0m) and FY23 trading losses.

Current assets

- Cash steady at \$7.3m
- Inventory & biological assets - inventory impairment in 1H23 (\$4.8m for Ananda Health and \$1.7m for Hemp Black)
- Other - \$2.6m ERC receipts and \$3.8m income tax refunded

Non-current assets

- Intangible assets - includes \$3.7m impairment of patents and software in 1H23
- Property, Plant & Equipment - \$2.1m impairment of equipment related to Hemp Black apparel and Ananda Health in 1H23
- Deferred tax assets - no longer recognised from 2H23. All carried forward losses remain available.

Non-current liabilities

- Settlement of remainder of Nubridge loan in 1H23
- Contingent consideration adjustment with extension of TexInnovate earnout

FY23 SEGMENTS



ECOFIBRE

A\$m	FY23	FY23 Norm. ¹	FY22 Norm. ¹	FY23	FY23 Norm. ¹	FY22 Norm. ¹	FY23	FY23 Norm. ¹	FY22 Norm. ¹	FY23	FY23 Norm. ¹	FY22 Norm. ¹
Revenue	13.0	13.0	12.8	17.3	17.3	13.8	2.2	2.2	3.6	-	-	-
Gross Margin	32%	70%	61%	40%	50%	44%	(17%)	(15%)	20%	-	-	-
Gross Profit	4.2	9.0	7.8	6.9	8.6	6.1	(0.4)	(0.3)	0.7	-	-	-
Other Income	(1.7)	-	0.1	(4.0)	-	-	0.1	0.1	-	3.2	0.3	0.1
Operating Expenses	(14.8)	(14.8)	(16.8)	(11.6)	(11.6)	(11.5)	(2.7)	(2.7)	(2.2)	(6.3)	(6.3)	(6.7)
EBITDA	(10.4)	(3.8)	(6.7)	(6.9)	(1.3)	(3.6)	(2.2)	(2.2)	(0.8)	(2.9)	(5.9)	(6.1)
Investments:												
R&D (inc. in opex.)	2.7	2.7	3.5	1.8	1.8	2.5	0.2	0.2	0.1	-	-	-
Capex	0.3	0.3	0.2	0.9	0.9	2.4	0.4	0.4	0.4	-	-	-

- Revenue up slightly in difficult US market conditions
- Margins +9% following 1H23 reset of raw material costs
- Operating costs -12%
- Capex remains low with sufficient capacity for growth

- Revenue +26% from existing turf and biomedical yarn lines
- Margins +6% due to growth in biomedical business
- Operating costs flat
- Investing in new partnerships

- Revenue -37% due to lost sales of \$3m due to weather
- Margins impacted due to seed losses (costs with no revenues)
- Operating costs up \$0.5m due to staff, R&D & depreciation
- Capex remains low

- Operating costs -6%

¹ Normalised NPAT and EBITDA excludes \$12.4m of inventory and fixed & intangible asset impairments announced in 1H23, DTA and contingent consideration adjustments in 2H23, and government grants and FX gains / losses in Other Income

FY23 CASHFLOW

A\$m	1H22	2H22	1H23	2H23
Opening Cash	8.6	5.9	7.3	7.4
Operating	(5.3)	(5.3)	(5.9)	(1.0)
Investing	(1.4)	(1.6)	(1.2)	(0.3)
Financing	4.0	8.4	6.9	0.7
FX Movements	-	(0.3)	0.3	0.6
Closing Cash	5.9	7.3	7.4	7.3

Comments
<ul style="list-style-type: none"> ➤ FY23 operating cash outflow \$6.9m, including <ul style="list-style-type: none"> • \$5.0m cash investment in R&D • \$2.6m ERC receipts and \$3.8m income tax refunded ➤ 2H23 operating cash outflow \$1.0m <ul style="list-style-type: none"> • delivered \$8.8m net annualised operating cost saving in 2H23 • exited non-core businesses • lower headcount and reduced R&D investment • other overheads reduced (IT, legal) • FY24: EOF Bio cash costs expected to be \$4.5m - \$5.0m, separately financed by new equity investors • Lost US seed sales of \$3m impacted cash flow in 2H23 ➤ Investing cashflows reduced significantly in 2H23 <ul style="list-style-type: none"> • capital expenditure focused on Hemp Black • future focus on expanding Hemp Black capacity ➤ Financing cashflows <ul style="list-style-type: none"> • receipt of secured loan proceeds in 1H23 (US\$6.4m) • partial repayment of unsecured loan \$2.0m in 1H23

AGENDA, FY23 RESULTS

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STRATEGY – A PORTFOLIO OF HIGH QUALITY MANUFACTURING BUSINESSES



Performance Yarn extrusion

- Innovate high-performance yarn solutions drawing on technical expertise and engineering-based approach.
- Establish long-term global partners who we take to scale manufacturing levels

Bio-based compounding and extrusion

- Compound bio-based materials to develop more sustainable products with the same performance characteristics as traditional plastics.
- Focus on global clients looking to introduce new sustainable materials into supply chains to meet ESG initiatives



Professional, cannabinoid-based health products

- Manufacture high-quality products differentiated through research backed formulas in a certified GMP, TGA certified and FDA registered facility.
- Licensed to manufacture pharmaceutical (AUS) and dietary supplements (US)
- Product innovation, quality control, and scale production allow us to support internal and external brands.



Ingredients and food

- HACCP-certified food production facility
- Manufacture and package high-quality food for large format grocery for a range of human products
- Ingredient supplier and product innovation to support animal and pet products

Ecofibre's values and commitment to impact and sustainability are a differentiating factor to current and potential clients

HEMP BLACK – ADVANCED MANUFACTURING BRINGING INNOVATION TO SCALE FOR GLOBAL PARTNERS

SYNTHETIC TURF YARNS

- Produce nylon and polypropylene yarns to create high-specification synthetic turf systems.
- Long-term global clients with production running at full capacity (24x7)
- Industry tailwinds include year-round use, no watering, mowing, pesticides, herbicides or fertilisers required.

MEDICAL DEVICE YARNS

- Long-term global client supplies a range of knitted vascular grafts
- Medical yarns for FDA-approved products, which have a high barrier to change



BIO-PLASTICS

- Bio-Plastic products are manufactured with a proportion of bio-based material, providing an advantage for clients looking to fulfil ESG initiatives
- Products include BioPallets and BioTotes
- Client development in progress

SUSTAINABLE PACKAGING

- Entered a 3-year agreement with sustainable packaging supplier to manufacture a patented bio-degradable packaging as an alternative to polystyrene foam
- Estimated revenue at full production of \$3m p.a. with a measured ramp-up as Cruz Foam grows its business

PERFORMANCE APPAREL YARNS

- MOU for 3-year partnership to manufacture a specialty yarn
- Revenue in FY24 is expected to be c\$5m with a full production estimate at \$9m p.a.
- Further growth is expected with the addition of a second machine within 12-18 months

LONG-TERM CLIENTS >5 yrs

NEW PARTNERSHIPS

PARTNERSHIPS UNDER DEVELOPMENT

ANANDA HEALTH – RESEARCH-BACKED, QUALITY MANUFACTURED SOLUTIONS FOR PROFESSIONAL MARKET

ANANDA PROFESSIONAL

- Premium brand for US independent pharmacies with a focus on expanding into the US practitioner channel
- Condition-specific formulas that blend cannabinoids and other well-known natural supplement actives
- Independent pharmacies through combination of inside sales and in-person territory sales managers
- Healthcare Practitioner market distributed through third party platforms and specialist sales staff.

WHITE LABEL CLIENTS

- Utilize capabilities and capacity to support pharmacies and quality brands
- Vertical integration with a product range that spans tinctures, topicals, gummies and softgels.

SUPPLEMENT

PHARMACEUTICAL

UNDER DEVELOPMENT

- Australia medicinal cannabis sold as S4 prescriptions via the Special Access Scheme and through Authorised Prescribers, fulfilled by pharmacies
- Currently working with two distributors, one of which was added recently.



US CLINICAL STUDY SUPPORT

- Provide study material under FDA authorized IND (Investigational New Drug) to support phase 2 clinical studies
- Active and placebo products provided to four studies at multiple locations across the US

EOF BIO

- Biotech entity established to commercialise IP portfolio
- Patents include manufacturing - Systems and Methods for Producing Hemp Extracts and Compositions
- Ananda Health facility will supply clinical study product and look to be future drug manufacturer (subject to future clinical trials)


AUSTRALIAN S4/S8

EOF BIO – LOWERS RISK IN COMMERCIALISING WOMEN’S HEALTH PATENT PORTFOLIO


OPPORTUNITY TO SELL / LICENSE IP

Patents Overview


EOF-BIO has five patent applications involving the use of cannabinoids in treating patients in the following areas



Gynecological cancer
Accounts for over 15% of cancers diagnosed in women globally, some with five-year survival rates ranging 17-39%



Endometriosis
Affects 11% of reproductive age women globally, causing severe pain and infertility – often extends post menopause



Head and neck cancer
Accounts for ~4% of all cancer diagnosis, and incidence increasing in recent years among younger people

US Patent Application No.	Patent No.	USPTO/PCT Application Date	Patent Status	Name of Patent
18/049,961	11,654,171	26 Oct 2022	Issued - May 23	Methods of Treating Ovarian Cancer with Hemp Extract
18/049,966		26 Oct 2022	Under Review	Methods of Treating Head and Neck Cancers with Hemp Extract
18/049,977		26 Oct 2022	Allowance granted / fee paid – Apr 23	Systems and Methods for Producing Hemp Extracts and Compositions
18/050,021		26 Oct 2022	Under Review	Methods of Treating Endometrial Cancer Using Hemp Extract
18/050,023	11,654,172	26 Oct 2022	Issued – May 23	Methods of Treating Endometriosis and Other Non-Cancer Gynecological Disorders with Hemp Extract

These patents protect key methodology components such as pH range, dosage levels (composition), and delivery (oral, intravaginal, etc.)

LARGE MARKET OPPORTUNITIES

Indication	Market Size BN USD (2022-2023)	% CAGR	Future Market BN USD (2030)
Ovarian Cancer ¹	2.2	23.7	9.7
Endometrial Cancer ²	28.3	4.9	41.0
Head & Neck Cancer ³	0.6	11.7	1.2
Endometriosis ²	3.2	6.9	5.1
Dysmenorrhea ⁴	3.8	8.2	6.6

Polaris Market Research¹, Research and Markets², Grandview Research³, MRFR Database and Analyst review⁴

EOF BIO

- Tranche 1 funding is complete. \$30m USD valuation
- EOF majority shareholder
- Funds used to progress phase 2 clinical trials to eventually sell / license IP

REDUCE COSTS AND RISK WHILE RETAINING UPSIDE

- reduces the cost and risk associated with biotech commercialisation to EOF shareholders
- preserves a large majority of the potential upside for existing Ecofibre shareholders
- funds dedicated management team and establishes relationships with leaders in the pharma and oncology industry to improve success

ADDITIONAL UPSIDE AS MANUFACTURER



AGENDA, FY23 RESULTS

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SUMMARY AND OUTLOOK

- 2H23 – Business simplified and cost base reset
- Targeting positive operating cash flow in FY24
- 1H24 – Projected EBITDA loss during implementation
 - Implement new Hemp Black partnerships
 - Complete medical yarn inventory reset to pre-COVID levels
 - Raise tranche 2 for EOF Bio and operationalise
- 2H24 – Projected EBITDA positive with businesses at full rate (EOF-Bio separately funded)



FY22 & FY23 NORMALISATION ADJUSTMENTS

A\$m	Ananda Health	Hemp Black	Ananda Food	Corporate	Total
FY22 EBITDA	(6.2)	(2.7)	(0.8)	(5.6)	(15.3)
Other income – ERC/Foreign exchange	(0.5)	(0.9)	-	(0.6)	(1.9)
Normalised EBITDA	(6.7)	(3.6)	(0.8)	(6.1)	(17.2)
FY22 NPAT	(8.4)	(4.5)	(1.5)	(0.2)	(14.7)
Other income – ERC/Foreign exchange	(0.5)	(0.9)	-	(0.1)	(1.4)
Normalised NPAT	(8.9)	(5.4)	(1.5)	(0.3)	(16.1)
FY23 EBITDA	(10.4)	(6.9)	(2.2)	(2.9)	(22.4)
Cost of Goods Sold – inventory impairment	4.9	1.6	-	-	6.5
Other Income – fixed and intangible asset impairment	1.7	4.0	-	-	5.8
Other income - Foreign exchange/Contingent consid.	(0.1)	-	-	(3.0)	(3.1)
Normalised EBITDA	(3.8)	(1.3)	(2.2)	(5.9)	(13.2)
FY23 NPAT	(12.3)	(8.7)	(3.0)	(16.0)	(39.9)
Impairments, Foreign exchange, Contingent consid.	6.5	5.7	0.1	(5.5)	6.8
Deferred Tax Asset – impairment	-	-	-	13.7	13.7
Normalised NPAT	(5.8)	(3.0)	(2.9)	(7.7)	(19.4)