

31 October 2023

Ecofibre Limited - 1Q24 Update and 4C Report

HIGHLIGHTS

- 1Q24 Revenue \$6.7m, down 15% on prior quarter
 - Hemp Black revenues down 31%, with the expected, temporary decline in biomedical yarn sales (-\$1.6m) and ongoing strong turf yarn sales
 - Ananda Health sales down 28%, with sales flat in the US and lower in Australia
 - Ananda Food revenues up 196% due to initial cat litter sales to Woolworths and prior period seed credits
- Ongoing cost savings – operating costs down an additional 5% from 2H23 run rate
- Growth initiatives coming online with the full impact expected in 2H24
 - New yarn equipment commissioned, customer knitting trials underway
 - Cruz Foam early production is underway, scaling 3Q24
 - Launched Smitten Cat Litter in 600 Woolworths supermarkets
- Cash \$8.1m as at 30 September 2023
 - 1Q24 Operating cash outflow \$3.3m, underlying outflow \$1.8m
 - \$5.2m new equity capital to fund Hemp Black growth, and \$0.9m additional equity to fund EOF Bio clinical research

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides its Appendix 4C Quarterly Report for the three months ended 30 September 2023 (1Q24) together with an update on the Company's trading performance.

1Q24 Trading Update

Revenue

Unaudited revenue for 1Q24 was \$6.7m, down 15% on the prior quarter and 18% on the prior corresponding period (pcp).

Ecofibre CEO Eric Wang said, "As previously advised to the market, September quarter revenues were weaker due to a temporary reduction in biomedical sales as our customer reduced inventory levels. Biomedical sales were \$1.6m less than the prior quarter, and based on current sales orders, production will recommence in early calendar 2024 at full run rate."

"Ananda Health sales were weaker in the quarter, partially offset by a better performance from Ananda Food following initial shipments of Smitten Cat Litter to Woolworths".

The Company continued to focus on tight cost control, with operating costs in 1Q24 down 5% from the 2H23 run-rate. This followed a 27% reduction in operating costs already delivered from 1H23 to 2H23.

During the quarter, Ecofibre announced an institutional placement and Share Placement Plan (SPP) which raised \$5.2m to support commissioning and testing of new manufacturing equipment and to provide working capital for Hemp Black.

Mr Wang commented, "We remain focused on returning the business to positive operating cashflows. Our cost reduction program that was successfully implemented in 2H23 continues to benefit the business, and further savings have been delivered. With the commissioning of new production lines largely complete, the timing of scaling these new initiatives is an important part of our cash positive plan in the second half."

Hemp Black – 1Q24 revenue \$3.4m (4Q23: \$4.9m; 1Q23: \$4.4m)

Revenue in the quarter was underpinned by continued strong demand for Hemp Black's high-quality turf yarns. The business continues to run on a 24x7 schedule with significant excess demand from our three clients.

As previously advised to the market, Hemp Black's medical yarn customer Intervascular had advised that volumes for the six months of 1H24 would be very low as they had decided to reduce inventory levels due to greater supply chain certainty that now exists. Sales orders have now been received to resume normal sales during 3Q24.

Revenue will also grow beginning 3Q24 as production for a global sportswear manufacturer is expected to be at full 24/7 capacity and Cruz Foam Inc (Cruz Foam) grows toward maximum capacity. The annualised revenue uplift from these two initiatives is expected to be ~\$12m.

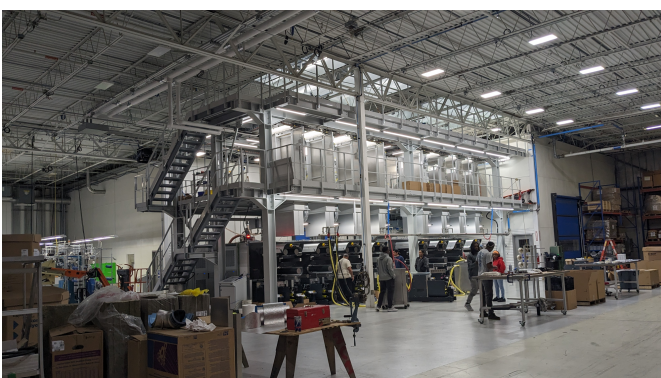
New yarn for global sportswear manufacturer



July 2023



September 2023



October 2023

During the quarter, Hemp Black agreed a 3-year Memorandum of Understanding (MOU) with a global sportswear manufacturer to supply specialty yarn for apparel use.

Hemp Black will invest approximately USD4.5m for manufacturing equipment, the cost of which is financed by the customer.

The first equipment components were delivered in July, and construction completed ahead of schedule in early October.

Initial production trials have been completed and yarns provided to the customer's mills for knitting trials, the results of which are expected to be known during November. Once confirmed, Hemp Black will be in a position to commence 24/7 production.

Hemp Black President Jeff Bruner said, "we have worked closely with multiple onsite teams, including Celanese (which includes the former Dupont Materials & Mobility business), our customer and key suppliers to commission machinery for a new polymer yarn ahead of schedule."

"We are proud to partner on a project of this scale and significance with customers and suppliers who are leaders in their fields."

Ecofibre will advise the market once full production has commenced.

Cruz Foam

Hemp Black entered a 3-year agreement with Cruz Foam to manufacture a sustainable, bio-degradable packaging material for its customers.

Hemp Black will operate the full production line for these products. For further details on Cruz Foam and its products, see www.cruzfoam.com. Cruz Foam is providing all production equipment to Hemp Black.

Initial production has commenced, and volumes are expected to increase in 2H24 as additional production equipment is commissioned.

Hemp Black President Jeff Bruner said, "Our partnership with Cruz Foam is progressing strongly, and we look forward to supporting producing commercial volumes of 100% recyclable packaging for Cruz Foam's customers in the coming months."



Ananda Health – 1Q24 revenue \$2.6m (4Q23: \$3.7m; 1Q23: \$3.5m)

Sales in Ananda Health’s US business held flat from the prior quarter despite continued challenging market conditions in 1Q24. Sales in Australia were lower in the quarter due to the timing of orders from a key Australian distributor.

In the US and Australia, the business continues to focus on its core range and condition specific products manufactured in the US, including the popular chewable format in the United States.

EOF Bio

Ecofibre has received notification from the United States Patent and Trademark Office (USPTO) that its US Utility Patent Application No. 18/050,021 Methods of Treating Endometrial Cancer Using Hemp Extract was issued on 24 October, 2023.

An additional USD0.5m was received from EOF Bio investors during the quarter, making a total of USD1.1m raised to date from investors.

Ananda Food – 1Q24 revenue \$0.7m (4Q23: -\$0.7m; 1Q23: \$0.3m)

During the quarter Ananda Food launched a new Smitten Cat Litter product through over 600 Woolworths supermarkets in Australia.

The product is 100% Australian and highly renewable, containing 100% bio-degradable ingredients including by-product from Ananda’s hemp seed food operations. Over time it is expected to replace existing, imported and less sustainable products made from extractive materials such as clay.



Appendix 4C Cash Flow Discussion

As at 30 September 2023 the Company’s cash balance was \$8.1m (30 June 2023: \$7.3m), which included \$0.4m held by EOF Bio.

As noted last quarter, 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 Ecofibre’s Appendix 4C cashflow report therefore include 100% of capital raised and expenses incurred in relation to EOF Bio, and the Company has included further commentary so that investors can separately identify these movements.

The table below summarises cash balances and movements for Hemp Black, Ananda Health, Ananda Food and Corporate, and separately for EOF Bio:

1Q24 Cash Summary (AU\$m)	Hemp Black Ananda Health Ananda Food Corporate	EOF Bio	Total
Opening Cash	6.4	0.9	7.3
Operating cash inflows (outflows)	(1.9)	(1.4)	(3.3)
Investing cash inflows (outflows)	(0.6)	0.0	(0.6)
Financing cash inflows (outflows)	3.8	0.9	4.7
FX	0.0	0.0	0.0
Closing Cash	7.7	0.4	8.1

Overall:

- Cash outflow from **operating** activities in the quarter was \$3.3m.

The cash result included separately funded EOF Bio costs (\$1.4m) and the impact of other items:

- \$0.8m refunded to US seed growers during the quarter relating to seed damaged in transit in 2H23
- final receipt of US Government Employee Retention Credits +\$0.7m

Excluding these one-off or temporary items, operating outflows totalled \$1.8m.

- Cash used in **investing** activities totalled \$0.6m in the quarter, mainly relating to equipment commissioning costs and building modifications for Cruz Foam and new yarn production lines.
- Cash inflows from **financing** activities in the quarter were \$4.7m.
 - EOF equity capital (net of costs), \$4.9m
 - funds raised for EOF Bio, \$0.9m.
 - repayment of Thiele Trust Fund loan, -\$1.0m

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 \$168,000 during the quarter for directors' salaries and fees.

Investor Relations and Media, please contact:

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About Ecofibre

Ecofibre owns a portfolio of high-quality advanced manufacturing businesses in the United States and Australia.

We operate three vertically integrated businesses focused on sustainable polymers and natural materials, natural health care, plant-based foods and genetics. In addition, we own a majority interest in a pharmaceutical business that is developing treatments for malignant and non-malignant gynecological diseases.

Hemp Black is an advanced manufacturing business with specialist capabilities in performance yarn extrusion and polymer compounding, sustainable materials and bioplastics. See hempblack.com.

Ananda Health is a leading US manufacturer of cannabinoid based health products for human and pet consumption. Our focus is on providing high-quality, research-backed products in Australia and the USA, targeting conditions including sleep, pain, anxiety, endometriosis, and other gynecological diseases. See anandaprofessional.com and anandahemp.com.au.

EOF Bio LLC owns the rights to commercialise a number of patents for the treatment of gynecological diseases, and continues to grow its portfolio of intellectual property through an active research partnership with the University of Newcastle in Australia.

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. The business is also a leading supplier of genetics to the hemp fibre industry in the US and Australia. See anandafood.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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,181	7,181
1.2 Payments for		
(a) research and development	(1,552)	(1,552)
(b) product manufacturing and operating costs	(3,321)	(3,321)
<i>Grower payments, Ananda Health</i>	-	-
<i>Grower payments, Ananda Food</i>	(25)	(25)
<i>Production costs</i>	(3,296)	(3,296)
(c) advertising and marketing	(301)	(301)
(d) leased assets	(98)	(98)
(e) staff costs	(3,124)	(3,124)
(f) administration and corporate costs	(2,057)	(2,057)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	26	26
1.5 Interest and other costs of finance paid	(732)	(732)
1.6 Income taxes	5	5
1.7 Government grants and tax incentives	707	707
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,266)	(3,266)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(593)	(593)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	-	-
(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)	18	18
2.6 Net cash from / (used in) investing activities	(575)	(575)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	6,138	6,138
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	(345)	(345)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(1,000)	(1,000)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (payment for principal portion of lease liabilities)	(87)	(87)
3.10 Net cash from / (used in) financing activities	4,706	4,706

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	7,290	7,290
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,266)	(3,266)

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 (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(575)	(575)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,706	4,706
4.5	Effect of movement in exchange rates on cash held	(76)	(76)
4.6	Cash and cash equivalents at end of period	8,079	8,079

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	7,794	6,999
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Nubridge retention, term deposits and credit card clearing accounts)	286	291
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,079	7,290

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	168
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	26,031	26,031
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	26,031	26,031
7.5	Unused financing facilities available at quarter end		-
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 7.0m • Date of original loan: June 2020 • Repayment dates: \$1m repayable on 15 July 2024 and \$6m repayable on 15 July 2025 • Interest rate: 11.0% 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 2025 • 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: 1 July 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)	(3,266)
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,079
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,079
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.5
<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 October 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

[*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.