

31 January 2024

### Ecofibre Limited - 2Q24 Update and 4C Report

#### HIGHLIGHTS

- Cash resources of \$7.0m
  - Total cash \$2.0m at 31 December. \$5.0m cash subsequently received from partial sell down of Ecofibre shareholding in EOF Bio in January
  - EOF-Bio LLC continues to raise its own capital to fund operations, raising USD3m from investors in January
- 2Q24 operating cash outflow \$4.4m, excluding EOF-Bio cash outflow \$3.8m
  - 2Q24 revenue \$7.2m, up 7% on prior quarter
  - 2Q24 unaudited operating costs (excluding EOF Bio) down 6% from prior quarter and 1H24 down 9% on 2H23.
- 2Q24 investment of \$2.1m in growth capital equipment in Hemp Black as expected
- Cash Positive Plan taking longer to deliver
  - All business units remained cash flow negative in 2Q24
  - Program of asset sales underway to help fund operations and repay debt
    - First sale complete: Sell down of 15% interest in EOF-Bio
    - Marketing of freehold properties in USA for sale and leaseback underway

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides its Appendix 4C Quarterly Report for the three months ended 31 December 2023 (2Q24) together with an update on the Company's trading performance.

## 2Q24 Trading Update

Ecofibre remains focused on returning the business to positive operating cashflows in the short term, reducing financial risk in the medium term, and is delivering on the four key priorities outlined at the Annual General Meeting in November:

### 1. *Focus on core businesses*

Following the departure of the Company's CEO in late November the Board's implementation of the Company's business portfolio review has accelerated, with an intense focus on monetising assets to reduce financing risk and fund growth in businesses able to be cash flow positive in the near term. A number of key decisions discussed below were implemented in January.

### 2. *Reduce operating costs and debt*

Ecofibre continues to focus on tight cost control and is also taking steps to reduce debt and financial risk by selling targeted assets.

Unaudited operating costs reduced 9%<sup>1</sup> in 1H24 compared with 2H23, which followed a prior reduction of 27% delivered from 1H23 to 2H23.

In January 2024, Ecofibre sold 15% of its holding in EOF-Bio LLC, the separate entity established to commercialise Ecofibre's life sciences intellectual property. This sale raised \$5 million.

The Board has also made the decision to market the Company's three freehold properties in the United States for sale to investors, subject to leaseback on terms to be negotiated, in order to repay a USD10m secured loan from Nubridge Commercial Lending LLC by 1 July 2024.

The Company's properties are expected to be worth significantly more than the loan value. In particular, the market value of the two properties in Greensboro, North Carolina is expected to be significantly higher than book value, offset by a lower market value for the property in Georgetown, Kentucky. Appropriate adjustments will be recognised for the Georgetown property in the 1H24 financial statements.

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<sup>1</sup> Based on unaudited costs for 1H24 excluding separately funded EOF Bio costs and also excluding a one-off credit of \$3.7m to be recognised for employee share scheme rights released following departure of the Company's CEO.

### 3. *Deliver ongoing revenue growth in Hemp Black*

A key medium term growth engine for Ecofibre is Hemp Black. As expected, 2Q revenue for Hemp Black was impacted pending the restart of medical yarn production in January and waiting for the commencement of Under Armour sales following the successful commissioning of new equipment during the quarter. Despite this, 2Q Hemp Black revenues were up 8% compared with 1Q, on the back of strong Turf Yarn sales and Cruz Foam commissioning project income.

### 4. *Realise value in EOF-Bio*

As set out below, the operating model and capital structure of EOF-Bio continues to evolve to best position the business for success as it navigates the FDA drug commercialisation pathway.

A further detailed update will be provided as part of the presentation of the 1H24 results in late February.

## 2Q24 Trading Update

Unaudited revenue for 2Q24 was \$7.2m, up 7% on the prior quarter and down 14% on the prior corresponding period (pcp).

Ecofibre Chairman Vanessa Wallace said, "As previously advised to the market, Hemp Black's December quarter sales remained relatively low due to a temporary reduction in biomedical sales as our customer reduced inventory levels in 1H24. 2Q24 Biomedical sales were \$1.4m less than the quarterly average in FY23, however sales have now recommenced at full run rate. Ananda Health's sales in the US were mixed with CBD product sales weak and new non-CBD product sales showing promising strength in the second half of the quarter."

**Hemp Black** – 2Q24 revenue \$3.7m (1Q24: \$3.4m; 2Q23: \$3.4m)

Revenue in the quarter was underpinned by continued strong demand for Hemp Black's high quality turf yarns.

Hemp Black also continued to scale the manufacture of sustainable, bio-degradable packaging material for Cruz Foam and its customers. Equipment commissioning project income was earned this quarter along with initial low volume customer shipments commencing during the quarter. Production is expected to increase through 2H24 as new production equipment supplied by Cruz Foam commences operation.

### *Under Armour*

Under Armour and Celanese have announced their collaboration to develop a new fibre for performance stretch fabrics called NEOLAST™. This innovative new fibre offers elevated stretch performance while helping address sustainability challenges associated with elastane.

The opportunity for Hemp Black to manufacture NEOLAST™ yarn is gradually coming to market. The equipment was installed at Hemp Black's premises in 2Q and is ready to operate 24/7 to supply Under Armour mills once knitting trials are complete. Expectation is that revenues will commence in the 3Q.

### *Second Turf Line*

Hemp Black is investing to double production capacity of turf yarns in response to significant excess demand from three clients.

The existing turf yarn production line runs on a 24x7 schedule with incremental improvements to production capacity achieved over the last 18 months.

An additional production line has now become available for purchase from a European manufacturer, and a deposit of EURO.8m was paid during the quarter to secure this equipment. The total acquisition cost will be EUR2.6m.

Hemp Black President Jeff Bruner said "We see strong, ongoing demand for Hemp Black's high quality turf yarns, and operating two production lines side-by-side will offer significant synergies for our business and customers."

### **Ananda Health – 2Q24 revenue \$2.3m (1Q24: \$2.6m; 2Q23: \$3.3m)**

Sales in Ananda Health's US business were lower due to weak trading in the first half of the quarter.

Sales improved in December as Ananda Health launched its new GluNOzym™ product for blood glucose support.



Ananda Health is introducing non-CBD products such as GlyNOzym to complement its existing range for independent pharmacies and end consumers.

Importantly, non-CBD products such as GlyNOzym can be marketed with fewer regulatory restrictions than CBD based products.

Ananda Health President Alex Nance said “With CBD sales in our core Pharmacy channel being relatively flat, we have had to innovate and are finding growth in our new non-cannabinoid products and in attracting third party contracting to our high quality manufacturing capabilities, including our ability to manufacture gummies.”

**Ananda Food** – 2Q24 revenue \$1.1m (1Q24: \$0.7m; 2Q23: \$1.6m)

Revenue in the quarter included \$0.6m sales of fibre planting seed to Australian fibre growers.

Ecofibre is continuing to pursue an insurance claim totalling \$0.5m in relation to damage to fibre planting seed exported from Australia to US growers in FY23.

### EOF-Bio

EOF-Bio is an entity separately established by Ecofibre in May 2023, to commercialise the latent value in Ecofibre’s and University of Newcastle’s life-science patent portfolio.

#### *Self-Funding*

In January EOF-Bio secured USD3m additional funds through the issue of new units in the entity to investors. These funds will be used by EOF-Bio to fund ongoing clinical research and commercialization of the portfolio of intellectual property.

Ecofibre continues to expect to become a minority shareholder in EOF-Bio over time, either by the injection of external capital or sale of some of its equity.

### *Operations*

EOF Bio has the exclusive rights to commercialise the intellectual property developed by Ecofibre and the University of Newcastle, related to 3 granted patents and a further three patent applications that remain under review by the USPTO.

The granted patents are:

- Methods of treating ovarian cancer with hemp extract – US Patent 11,654,171
- Methods of treating endometriosis and other non-cancer gynecological disorders with hemp extract – US Patent 11,654,172
- Methods of treating endometrial cancer using hemp extract – US Patent 11,793,847 B2

In addition, Ecofibre holds the patent for Systems and Methods of Producing Hemp Extracts and Compositions – US Patent 11,857,590.

Ecofibre's Chair of the Health and Government Relations Committee Prof. Bruce Robinson said "Dr Alex Capano and our expert business and research partners in Australia and the USA are working hard as we make good progress against our commercialisation plan."

Ecofibre's Chairman, Vanessa Wallace said, "The EOF-Bio Board is in the process of recruiting a CEO to lead the successful growth and commercial development of this emerging technology to improve women's health. As we move through the various milestones, and bring in more external capital, we expect Ecofibre will move to a minority ownership position over time."

### **Appendix 4C Cash Flow Discussion**

As at 31 December 2023 the Company's cash balance was \$2.0m (30 September 2023: \$8.1m), which included \$0.1m held by EOF Bio.

As previously noted, accounting standards require that EOF-Bio be 100% consolidated into Ecofibre's financial statements, less one-line adjustments to recognise the value of external investor interests in net assets and profit or loss.

Cash amounts shown in Ecofibre's Appendix 4C cashflow report therefore include 100% of capital raised and expenses incurred in relation to EOF Bio, so the Company has included the table on the following page to separately disclose the cash balances and movements for EOF-Bio.

2Q24 Cash Summary (AU\$m)	Hemp Black Ananda Health Ananda Food Corporate	EOF Bio	Total
Opening Cash	7.7	0.4	8.1
Operating cash inflows (outflows)	(3.8)	(0.6)	(4.4)
Investing cash inflows (outflows)	(2.1)	0.0	(2.1)
Financing cash inflows (outflows)	0.0	0.3	0.3
FX	0.2	0.0	0.2
Closing Cash	1.9	0.1	2.0

Overall:

- Cash outflow from **operating** activities in the quarter was \$4.4m (\$3.8m excluding EOF-Bio)  
The cash result included separately funded EOF Bio costs (-\$0.6m) and Australian fibre seed growing costs (-\$0.5m).
- Cash used in **investing** activities totalled \$2.1m in the quarter, mainly relating to Hemp Black equipment commissioning costs and building modifications for Cruz Foam and Under Armour production lines (\$0.5m), and deposits paid for the second turf yarn line (\$1.3m).
- Cash inflows from **financing** activities in the quarter were \$0.3m, mainly relating to new capital raised by 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 \$155,000 during the quarter for directors' salaries and fees.

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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](http://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](http://anandaprofessional.com) and [anandahemp.com.au](http://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](http://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

<b>Name of entity</b>		
Ecofibre Limited		
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>	
27 140 245 263	31 December 2023	
<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6,985	14,166
1.2 Payments for		
(a) research and development	(583)	(2,135)
(b) product manufacturing and operating costs	(4,140)	(7,461)
<i>Grower payments, Ananda Health</i>	-	-
<i>Grower payments, Ananda Food</i>	(452)	(477)
<i>Production costs</i>	(3,688)	(6,984)
(c) advertising and marketing	(329)	(630)
(d) leased assets	(74)	(172)
(e) staff costs	(4,039)	(7,163)
(f) administration and corporate costs	(1,574)	(3,631)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	40
1.5 Interest and other costs of finance paid	(612)	(1,344)
1.6 Income taxes	(32)	(27)
1.7 Government grants and tax incentives	23	730
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,361)</b>	<b>(7,627)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2,338)	(2,931)
(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 (6 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	214	214
(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)	(4)	14
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(2,128)</b>	<b>(2,703)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	364	6,502
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	(22)	(367)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(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)	(90)	(177)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>252</b>	<b>4,958</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	8,079	7,289
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(4,361)	(7,627)

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 (6 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,128)	(2,703)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	252	4,958
4.5	Effect of movement in exchange rates on cash held	207	132
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,049</b>	<b>2,049</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	1,838	7,794
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Nubridge retention, term deposits and credit card clearing accounts)	211	286
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,049</b>	<b>8,079</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	155
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. <b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	25,182	25,182
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	25,182	25,182
7.5 <b>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 7.0m</li> <li>• Date of original loan: June 2020</li> <li>• Repayment dates: \$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)	(4,361)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,049
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,049
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>0.5</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?	
<p>No. Changes to the current level of net operating cashflows are expected to include:</p> <p>a) sales of biomedical yarns have recommenced in 3Q24</p> <p>b) new yarn production line for Under Armour expected to commence production and sales during 2H24 once final knitting trials are complete</p>	
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?	
<p>In January 2024 Ecofibre has sold part of its interest in EOF-Bio for AUD5.0m, and will commence marketing its three US properties for potential sale.</p>	
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?	
<p>Yes. Ecofibre is implementing its cash positive plan and related asset sales.</p>	
<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

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

31 January 2024

Date: .....

By the Board

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

## Notes

- 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.
- 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.