

31 July 2024

Ecofibre Limited - 4Q24 Update and 4C Report

HIGHLIGHTS

- Total cash \$6.7m at 30 June 2024
 - Comprises \$4.3m group funds and \$2.4m EOF-Bio
- 4Q24 operating cash outflow \$2.6m, excluding EOF-Bio cash outflow of \$0.8m
 - Includes \$1.0m timing difference with customer receipts lower than revenue
 - Also includes \$0.4m litigation and restructuring costs
- Key initiatives to strengthen the business and restructure balance sheet
 - Ulrich Tombuelt appointed as CEO
 - USD10m Nubridge loan extended to January 2025
 - AUD7m Thiele loan restructured to extend \$1m repayment to January 2025
 - Chiron Financial appointed as financial advisor
- Cash Positive Plan progress continuing but remains challenging
 - Overall trading:
 - 4Q24 revenue \$7.7m, down 5% on prior quarter
 - 2H24 operating costs (excluding EOF-Bio) down 8% from prior half on a normalised basis, despite \$0.6m litigation and restructuring costs
 - Business unit EBITDA in 4Q24 continued the positive trend from prior quarter:
 - Ecofibre Advanced Technologies \$1.2m
 - Ananda Health \$0.2m
 - Ecofibre Genetics breakeven
 - EOF-Bio separately funded
 - Group overheads -\$1.7m EBITDA.
 - Committed capital expenditure \$1.7m to complete new turf line, the majority of which is expected to occur in 2Q25

* All numbers unaudited. EBITDA and Operating Costs normalised and exclude EOF-Bio (separately funded business).

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides its Appendix 4C Quarterly Report for the three months ended 30 June 2024 (4Q24) together with an update on the Company's trading performance.

4Q24 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 delivering on the four key priorities in its Cash Positive Plan:

1. Focus on core businesses
2. Reduce operating costs and debt
3. Deliver ongoing revenue growth in Ecofibre Advanced Technologies
4. Realise value in EOF-Bio

New CEO

In July, Ecofibre announced the appointment of Mr Ulrich (Uli) Tombuelt as Managing Director and CEO of Ecofibre and President of Ecofibre Advanced Technologies, effective August 5th, 2024.

Mr Tombuelt has a track record as a successful CEO and operational and commercial business leader. He has spent most of his career in the textile industry in the United States and Germany and is now based in North Carolina.

Ecofibre Chair Vanessa Wallace said, "We are very pleased to have an executive of Uli's capability and experience join our team, and we look forward to Uli leading the business profitably into the next era of growth."

"John Foley, who joined Ecofibre as Interim CEO in May 2024, will transition his role to Uli in August, and on behalf of the Board I thank John for his exceptional contribution to the business in a short period."

Debt Restructure

In April, Ecofibre executed a non-binding Letter of Intent for the sale and leaseback of two of the group's freehold properties in the United States for USD10.4m. These funds were intended to repay a USD10m secured loan from Nubridge Commercial Lending LLC (Nubridge) by 1 July 2024, however the sale did not proceed to completion.

Accordingly, in July Ecofibre executed agreements with its lenders to restructure two key loans.

The repayment date of the Nubridge loan was extended from 1 July 2024 to 1 January 2025 at an interest rate of 13.5%.

In addition, the terms of the AUD7m loan from the James & Cordelia Thiele Trust Fund were amended to extend a \$1m repayment previously due on 15 July 2024 to 1 January 2025, with the balance remaining due on 15 July 2025. The interest rate on the loan will continue at 11% until 30 September 2024, at which time it will increase to 14%.

The restructuring of the loans was supported by Houston-based investment bank Chiron Financial LLC, which is providing advice to the Board on monetising assets, reducing financing risk and funding growth in the businesses.

Over the remainder of 2024, Ecofibre will pursue a strategy of consolidating and extending the Company's term loans and securing new working capital for its operations.

4Q24 Trading Update

Unaudited revenue for 4Q24 was \$7.7m, down 5% on the prior quarter and down 2% on the prior corresponding period (pcp). Normalised operating costs reduced by 8% from 1H24 to 2H24.

Ms Wallace said, "The Company made further progress during the quarter in delivering its Cash Positive Plan. Underlying costs continued to reduce, and our two core businesses delivered positive trading results.

"While significant challenges remain in executing this plan, the changes we are making are designed to establish a more sustainable business performance with stronger management capabilities and disciplines.

"We have a portfolio of advanced manufacturing and technology businesses that reflect a growing market for sustainable polymers and natural materials, natural health-care products, hemp seed genetics and the development of cannabinoid-based drugs to improve health outcomes and enhance quality of life.

"While much remains to be done and risks remain in executing our Cash Positive Plan, our goal is to unlock the significant potential of our business portfolio and deliver sustainable value to shareholders. As we said in April, 4Q24 proved to be a critical quarter for the group. To continue our progress in 1Q25, it will be important for the Company to continue managing cash tightly, and deliver revenue growth. Reducing overhead and corporate costs is a priority, as is revenue growth from both of our key businesses, including increased sales of gummies

and Glunozym from Ananda Health, and increased sales of turf yarn and NEOLAST™ yarn in Ecofibre Advanced Technologies.

Ecofibre Advanced Technologies (AT) – 4Q24 revenue \$5.0m (3Q24: \$4.9m; 4Q23: \$4.9m).

Revenue in the quarter was in line with prior quarters, and included strong sales in the biomedical yarn business, offset by weaker sales in the turf yarn business.

Biomedical sales (\$2.0m) included re-stocking by the Company's key customer, Intervascular SAS, and were approximately double the normal average level of sales. Due to this timing, Biomedical sales will be lower in 1Q25 impacting revenues and profits.

During the quarter Ecofibre AT commenced initial commercial sales of NEOLAST™ yarn to Under Armour knitting mills, and continues to work with suppliers and customers to increase volume and standardisation of output. Initial revenue for the quarter was \$0.3m.

Turf yarn revenue (\$1.8m) was down \$0.7m from the prior quarter reflecting, in part, the impact of unseasonably wet weather in Southern California in recent months, a key market for Ecofibre's customers and turf suppliers. As previously announced by the Company, preparations for Ecofibre's second turf yarn line have been paused pending a sustainable increase in demand for yarn from its existing production line. The yarn extruder for the second line was shipped by the European manufacturer in April and initial commissioning was completed in mid-July, and shipment of yarn winders and texturisers has been deferred. Total remaining payments for this machinery are USD1.1m (AUD 1.7m).

In addition to Ecofibre AT's two existing turf customers, the business is also working with other potential customers in the United States.

Ananda Health – 4Q24 revenue \$2.4m (3Q24: \$2.7m; 4Q23: \$3.7m)

Ananda Health continued to focus on profitable, cash-positive operations, and, on a normalised basis, delivered positive EBITDA in each of the last two quarters of FY24 (2H24: +\$0.4m).

Having reset its cost base, Ananda Health is gradually increasing its investment in sales and marketing to drive sales growth in non-CBD as well as our traditional CBD products.

Ananda Health's new, non-CBD product Glunozym, a blood sugar control and weight loss management supplement, was launched on Amazon USA late in the quarter. This channel is not available to CBD products, and the business will continue to increase its focus on non-CBD products and new channels, including contract manufacturing, in FY25.

Ecofibre Genetics and Ananda Food – 4Q24 revenue \$0.3m (3Q24: \$0.6m; 4Q23: -\$0.7m)

Revenue in the quarter related to 39 tonnes of seed exported from the Australia to the USA during April.

The prior quarter included the revenue from the food and pet products business which was sold in late March 2024, and the negative pcp result in 4Q23 had included credits provided to seed customers following damage to seed sold earlier that year.

Corporate

During 2H24 the business incurred restructuring and litigation associated costs totalling \$0.6m, including \$0.4m in 4Q24. The company also incurred costs associated with the appointment of an interim CEO and hiring the new permanent CEO.

EOF-Bio - \$2.4m Cash in bank, 4Q operating cash outflows \$0.8m

EOF-Bio, Ecofibre's majority- owned, US-based clinical-stage biotechnology company continues to be self-funding.

EOF-Bio continues to focus on the development of a new generation of patient-centred cannabinoid- based drugs that can improve health outcomes and enhance quality of life, starting with women's health and endometriosis.

A separate ASX update on important EOF-Bio developments was provided earlier this week.

In summary, EOF-Bio is making good progress against its plan and expects to secure funding and initiate a Phase 2a clinical trial for Endometriosis Associated Pain (EAP) by the end of 2024 to generate additional human proof- of-concept data for EOF-001 in the first half of 2026.

Appendix 4C Cash Flow Discussion

As at 30 June 2024 the Company's cash balance was \$6.7m (31 March 2024: \$10.4m), which included \$2.4m held by EOF-Bio.

As previously advised, 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. The following table provides separate disclosure of the cash balances and movements for EOF-Bio.

4Q24 Cash Summary (AU\$m)	Ecofibre A.T Ananda Health Ecofibre Genetics Corporate	EOF Bio	Total
Opening Cash	7.1	3.3	10.4
Operating cash inflows (outflows)	(2.6)	(0.8)	(3.4)
Investing cash inflows (outflows)	(0.1)	-	(0.1)
Financing cash inflows (outflows)	-	-	-
FX	(0.1)	(0.1)	(0.1)
Closing Cash	4.3	2.4	6.7

Overall:

- Cash outflow from **operating** activities in the quarter was \$3.4m (\$2.6m excluding EOF-Bio)
Operating cashflows included the impact of timing differences on collection of debtors in the quarter (cash receipts from customers were \$6.7m, \$1.0m lower than revenues of \$7.7m), \$0.6m interest expense, and the impact of legal and professional costs associated with litigation and restructuring (\$0.4m).
- Cash outflows from **investing** activities totalled \$0.1m in the quarter

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 \$68,000 during the quarter for directors’ salaries and fees.

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About Ecofibre

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

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

Ecofibre Advanced Technologies (formerly known as Hemp Black) is an advanced manufacturing business with specialist capabilities in performance yarn extrusion and polymer compounding, sustainable materials and bioplastics.

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.

Ecofibre Genetics owns one of the world's largest collections of hemp seed genetics, and is a leading supplier of seed genetics to the hemp fibre and grain industry in the US and Australia.

EOF Bio Inc. is a majority owned, US-based clinical-stage biotechnology company focused on a new generation of patient-centered cannabinoid-based drugs that improve health outcomes and enhance quality of life, starting with women's health and endometriosis. Spun out of Ecofibre. In July 2023 it is focused on commercialising an expanding estate of issued patents.

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 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,725	28,749
1.2 Payments for		
(a) research and development	(282)	(2,837)
(b) product manufacturing and operating costs	(3,753)	(14,687)
<i>Grower payments</i>	(78)	(801)
<i>Production costs</i>	(3,675)	(13,886)
(c) advertising and marketing	(23)	(853)
(d) leased assets	(71)	(305)
(e) staff costs	(2,762)	(13,054)
(f) administration and corporate costs	(2,633)	(9,707)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	56
1.5 Interest and other costs of finance paid	(635)	(2,569)
1.6 Income taxes	12	(40)
1.7 Government grants and tax incentives	-	730
1.8 Other (provide details if material)	-	500
1.9 Net cash from / (used in) operating activities	(3,409)	(14,017)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(188)	(3,212)
(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	-	2,000
(c) property, plant and equipment	10	241
(d) investments	-	5,130
(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)	44	58
2.6 Net cash from / (used in) investing activities	(134)	4,217

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,854
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	-	(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)	(7)	(275)
3.10 Net cash from / (used in) financing activities	(7)	9,212

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	10,407	7,289
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,409)	(14,017)

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
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(134)	4,217
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7)	9,212
4.5	Effect of movement in exchange rates on cash held	(120)	36
4.6	Cash and cash equivalents at end of period	6,737	6,737

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	6,537	10,197
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Nubridge retention, term deposits and credit card clearing accounts)	200	210
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,737	10,407

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	68
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	25,493	25,493
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	25,493	25,493
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 1 January 2025 and \$6m repayable on 15 July 2025 • Interest rate: 11% p.a to 30 September 2024 and 14% p.a thereafter • 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 January 2025 • Interest rate: 8.49% p.a prior to 1 July 2024, 13.49% thereafter • 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. In addition, the shareholdings owned by Ecofibre Limited are included as security interests. • 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)	(3,409)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,737
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,737
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.0

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.

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?

Excluding EOF Bio cash and net operating cashflows, the result for item 8.5 would be 1.7 quarters funding.

The level of net operating cashflows in 1Q25 is dependent on a number of factors, including the rate of NEOLAST production, any increase in the current level of utilisation of the turf line, ongoing sales of CBD and non-CBD products by Ananda Health following the addition of new marketing and sales capabilities, on-going cost savings and restructuring, litigation and associated costs.

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?

The Board has engaged Houston-based investment bank Chiron Financial LLC to provide advice on monetising assets, reducing financing risk and funding growth across its businesses.

The first two steps of this restructuring, the renegotiation and extension of the Nubridge and Thiele loans, have been completed, and ongoing work is being undertaken to achieve a long term solution by the end of the year.

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?

As noted above, the restructuring of the Company is ongoing. The new CEO, Mr Uli Tombuelt, commences on 5 August 2024 and will lead the next stage of this process.

Based on successful completion of the steps noted in this Section 8.6, the Company will be able to continue its operations and meet its business objectives.

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.

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 2024

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.