

31 October 2024

Ecofibre Limited - 1Q25 Update and 4C Report

HIGHLIGHTS*

- Total cash \$3.8m at 30 September 2024
 - Comprises \$2.4m group funds and \$1.4m EOF-Bio
 - Committed capital expenditure to complete 2nd turf line, \$1.1m expected 2Q.
- 1Q25 operating cash outflow \$1.7m, excluding EOF-Bio cash outflow of \$1.0m
 - Includes \$0.7m interest expense
 - Includes \$0.6m litigation and restructuring costs
- Cash Positive Plan progress continuing but remains challenging
 - Overall trading:
 - 1Q25 revenue \$6.9m, down 11% on prior quarter
 - Business unit EBITDA in 1Q25:
 - Ecofibre Advanced Technologies (Ecofibre AT) -\$0.2m
 - Ananda Health \$0.1m
 - Ecofibre Genetics breakeven
 - EOF-Bio separately funded
 - Group overheads -\$1.6m EBITDA.
- Key initiatives to strengthen the business and restructure balance sheet
 - *1Q completed initiatives:*
 - Under Armour: signed agreements to supply NEOLAST™ yarn and purchase associated manufacturing equipment
 - *Ongoing FY25 focus:*
 - Expand customer base for the turf lines in Ecofibre AT
 - Extend tenure of medical yarn contract in Ecofibre AT
 - Reduce corporate overhead costs
 - Complete debt restructure negotiations

* 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 September 2024 (1Q25) together with an update on the Company's trading performance.

Key Priorities

As discussed at the Company's Annual General Meeting on 16 October 2024, Ecofibre remains focused on returning the business to positive operating cashflows, reducing financial risk, 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 EAT
4. Realise value in EOF-Bio

Debt Restructure

The Group is currently negotiating with a consortium of lenders to provide a new debt facility that will be used to:

- Repay USD10m to Nubridge Commercial Lending LLC (Nubridge), and AUD1m to the James & Cordelia Thiele Trust Fund (Thiele) by 1 January 2025; and
- provide working capital for ongoing operation and investments.

The restructuring of the loans continues to be 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.

1Q25 Trading Update

Unaudited revenue for 1Q25 was \$6.9m, down 11% on the prior quarter and up 3% on the prior corresponding period (pcp).

Ecofibre Advanced Technologies (AT) – 1Q25 revenue \$4.0m (4Q24: \$5.0m; 1Q24: \$3.4m).

Revenue was \$1.0m lower than the prior quarter, reflecting lower sales of biomedical yarn partially offset by sales of NEOLAST™ yarn. EBITDA for 1Q25 was -\$0.2m.

As noted last quarter, biomedical sales in 1Q25 were expected to be below 4Q24 due to re-stocking by the Company's key customer, Intervascular SAS, in the prior quarter. The revenue

has since then increased and we expect strong business for the remainder of the fiscal year. Furthermore we are in conversations to extend the term of our contract with this important customer by another extended period.

During the quarter Ecofibre AT accelerated commercial sales of NEOLAST™ yarn to Under Armour and its knitting mills, and 24/7 production commenced in mid-September. Ecofibre AT signed agreements with Under Armour for the supply of NEOLAST™ yarns to Under Armour's nominated knitting mills, including the purchase of associated manufacturing equipment. Further detail on these agreements is set out in the Company's announcement to the ASX on 25 September 2024.

As previously announced by the Company, preparations for the 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. Remaining payments for this machinery total USD0.7m (AUD 1.1m).

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 – 1Q25 revenue \$2.5m (4Q24: \$2.4m; 1Q24: \$2.6m)

Ananda Health continued to focus on profitable, cash-positive operations, and, on a normalised basis, delivered positive EBITDA of \$0.1m, the third consecutive quarter of profitable operation.

Having reset its cost base, Ananda Health continues to strategically invest in new channels and developing additional non-CBD products to respond to current consumer behaviour and trends in the United States.

Amazon has continued to generate sustainable growth month over month with positive reviews from consumers. Ananda is continuing to focus on channel development and launching our refreshed, consumer-focused, non-CBD product line in 2Q25.

Trading conditions in Independent Pharmacy continue to be challenging, due to prescription reimbursement rates impacting pharmacy profitability and cashflow. These challenging conditions are impacting larger chains as well, as CVS and Walgreens have announced store closures across the US. Ananda's focus has been and continues to be on quality, rather than quantity within this channel.

Ecofibre Genetics – 1Q25 revenue \$0.3m (4Q24: \$0.3m; 1Q24: \$0.1m)

Revenue in the quarter related to fibre planting seed grown and sold in Australia, and the EBITDA result for the period was breakeven.

The business is currently completing the harvest of fibre seed crops in North Queensland which is expected to be cleaned and exported to customers in the USA in late 2Q25 or early 3Q25.

Corporate

The EBITDA loss for 1Q25 was -\$1.6m, including restructuring and litigation associated costs totalling \$0.7m.

EOF-Bio – 1Q25 operating cash outflows were \$1.0m

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. The business is focussed on securing funding to 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 September 2024 the Company's cash balance was \$3.8m (30 June 2024: \$6.7m), which included \$1.4m held by EOF-Bio.

As previously advised, accounting standards require EOF-Bio to 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.

1Q25 Cash Summary (AU\$m)	Ecofibre A.T Ananda Health Ecofibre Genetics Corporate	EOF Bio	Total
Opening Cash	4.3	2.4	6.7
Operating cash inflows (outflows)	(1.7)	(1.0)	(2.7)
Investing cash inflows (outflows)	(0.2)	-	(0.2)
Financing cash inflows (outflows)	-	-	-
FX	(0.1)	(0.1)	(0.2)
Closing Cash	2.4	1.4	3.8

Overall:

- Cash outflow from **operating** activities in the quarter was \$2.7m (\$1.7m excluding EOF-Bio)
Operating cashflows included the impact of timing differences on collection of debtors in the quarter (cash receipts from customers were \$7.2m, \$0.3m higher than revenues of \$6.9m), \$0.7m interest expense, and the cash impact of legal and professional costs associated with litigation and restructuring (\$0.6m).
- Cash outflows from **investing** activities totalled \$0.2m 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 \$135,000 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	Quarter ended ("current quarter")	
27 140 245 263	30 September 2024	
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	7,185	7,185
1.2 Payments for		
(a) research and development	(187)	(187)
(b) product manufacturing and operating costs	(3,328)	(3,328)
<i>Grower payments</i>	(207)	(207)
<i>Production costs</i>	(3,121)	(3,121)
(c) advertising and marketing	(37)	(37)
(d) leased assets	(73)	(73)
(e) staff costs	(2,688)	(2,688)
(f) administration and corporate costs	(2,849)	(2,849)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	18
1.5 Interest and other costs of finance paid	(728)	(728)
1.6 Income taxes	5	5
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,682)	(2,682)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(163)	(163)
(d) investments	-	-

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
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	2	2
	(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)	2	2
2.6	Net cash from / (used in) investing activities	(159)	(159)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment for principal portion of lease liabilities)	-	-
3.10	Net cash from / (used in) financing activities	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,737	6,737
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,682)	(2,682)

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)	(159)	(159)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(145)	(145)
4.6	Cash and cash equivalents at end of period	3,751	3,751

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	3,488	6,537
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Nubridge impound, term deposits and credit card clearing accounts)	263	200
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,751	6,737

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	135
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	24,989	24,989
7.2	Credit standby arrangements	-	-
7.3	Other (Under Armour loan, committed)	6,284	6,283
7.4	Total financing facilities	31,273	31,273
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 <p>Lender: Under Armour</p> <ul style="list-style-type: none"> • Principal amount: USD 4,337,443 • Effective date of loan: 1 January 2025 • Repayment date: monthly for 32 months, the timing and quantum of loan repayments are dependent on production volumes and the collection of sales revenue. • Interest rate: 12% p.a interest • Security / collateral: Under Armour NEOLAST yarn manufacturing equipment • 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)	(2,682)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,751
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,751
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.4
<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. The groups underlying operating cash result has been steadily improving in line with underlying EBITDA, and the Company's cash positive plan is targeting further improvements in underlying cashflows, including from the recent commencement of full operation of the NEOLAST™ yarn production line. Material uncertainties in future operating cashflows also exist, including litigation and restructuring costs, higher interest from debt refinancing, timing differences between production, sales and customer collections (for example, the timing of Ecofibre Genetics grower payments and pre-sales to customers), and the success of initiatives to improve capacity utilisation in the Company's turf yarn business.</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>Yes. The Company is working with a financial advisor and investment bank, Chiron Financial LLC, to restructure and raise new debt capital to repay loans due in January 2025, and to provide additional working capital to fund the group's ongoing operation and investments. Although all such financing initiatives are inherently uncertain pending execution of binding agreements, the Directors believe that the refinancing program has reasonable prospects of success.</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, based on the successful outcome of the initiatives listed in 8.6.1 and 8.6.2.</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

- 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 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.