

27 October 2022

### Ecofibre Limited - 1Q23 Update and 4C Report

#### HIGHLIGHTS

- 1Q23 revenue \$8.2m, up 11% on prior quarter
- Ananda Health delivered three key milestones:
  - successfully launched myeverydayCBD to US independent pharmacy channel
  - Ecofibre's CANN-Sleep phase 3 clinical trial completed in September – statistical analysis of patient data to be completed by early November
  - completed final utility patent applications to USPTO for endometriosis, gynecological cancers, and other non-malignant gynecological disorders
- Hemp Black signed an initial 3-year supply contract for new turf yarn with Tencate Grass, which will increase revenue by a full-year run rate of c.USD4m p.a. representing a c.90% increase in annual revenues for the turf manufacturing line.
- Ananda Food harvested 230ha of fibre seed crop in Australia for sale to AUS and US farmers in Q2 and Q3, respectively.
- Cash as at 30 September: \$9.7m
  - operating cash outflows of \$4.6m in 1Q23, including \$1.9m R&D
  - collected USD0.7m US government receivables, USD4.2m remaining
  - balance of USD10m loan funds received in July (USD6.4m)

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, ADR:EOFBY) provides its Appendix 4C Quarterly Report for the three months ended 30 September 2022 (1Q23) together with an update on the Company's trading performance.

#### 1Q23 Trading Update

Unaudited revenue for 1Q23 was \$8.2m, up 11% on the prior quarter and up 3% on the prior corresponding period (pcp).

Ecofibre CEO Eric Wang said, "Revenue growth from the last quarter was driven by a strong performance from Hemp Black, partly offset by lower revenues in Ananda Food."

"Hemp Black entered into a 3-year supply contract with Tencate Grass, the global market leader for artificial turf products. The long-term growth profile for outdoor turf is underpinned by the demand for year-round use and a more sustainable solution that eliminates water, maintenance, fertilizers, pesticides, and herbicides. This contract will increase revenue in the Hemp Black division by c.USD4m p.a."

"Ananda Food completed the harvest of its fibre planting seed crop in Australia, and sales to Australian and US farmers are to be completed in 2Q23 and 3Q23, respectively."

"Our portfolio's R&D investment peaked during the quarter, as the Company completed several major milestones. Our 18-month CANN-Sleep S3 trial with Southern Cross University is complete, the Company lodged the final submission on four patent applications to USPTO on endometriosis, gynecological cancers, and other non-malignant gynecological disorders, and our product R&D in Hemp Black has resulted in the new Tencate contract."

**Hemp Black** – 1Q23 revenue \$4.4m (\$3.4m in 4Q22)

*Fill manufacturing capacity*

Increased demand for Hemp Black's core turf and medical yarn business led to its highest-ever quarterly revenue in 1Q23.

Hemp Black President Jeff Bruner said, "In late September, we signed a 3-year agreement with Tencate Grass, the global leader in outdoor turf, to supply higher value turf yarns from our existing production line. This results from investment in client-specific product R&D over the last six months."

**Ananda Health** – 1Q23 revenue \$3.5m (\$3.4m in 4Q22)

*Grow Ananda Professional's #1 CBD brand positioning in US professional market*

To capture a more significant share of the US independent pharmacy market, the Company launched its affordable range of 'myeverdayCBD' products, which has been well received by independent pharmacies, many of which need to stock an affordable range to complement their premium Ananda Professional products.

By March 2023, CVS Pharmacy will no longer stock BalansLabs products due to the underperformance of their CBD category due to regulatory uncertainty. Sales to CVS Pharmacy totaled AUD0.2m in the 12 months to September 2022.

In September 2022, JCPenney began stocking BalansLabs, in 235 of its 660 stores, as part of its shift from Sephora in-store shops to JCPenney Beauty format. Initial sales to support the stocking of the range were \$0.2m.

#### *S3 OTC product registration*

CEO Eric Wang said, "We are very pleased to announce that Ecofibre's CANN-Sleep phase 3 clinical trial, conducted independently by the National Centre for Naturopathic Medicine, Southern Cross University, has officially completed."

"The statistical analysis of patient data will be completed in early November and subject to the results the Company is on schedule to submit its S3 application in 2Q23."

#### *Gynecological cancer research portfolio*

In October 2021, Ecofibre lodged four provisional patent applications with the USPTO for endometriosis, gynecological cancers, and other non-malignant gynecological disorders.

Ecofibre's subsequent research collaboration with the University of Newcastle has now enabled the Company to successfully lodge full Track 1 utility patent applications within the 12-month deadline.

Ecofibre Chief Science Officer Dr. Alex Capano said, "we continue to be very encouraged by the ongoing progress of the study. The data reinforces and expands upon our original findings. We remain hopeful that our discoveries will provide critical solutions to urgent gynecological challenges and improve women's lives globally."

The Company expects responses from the USPTO on the Track 1 utility applications in the coming months.

#### **Ananda Food** - revenue \$0.3m (\$0.6m in 4Q22)

Food revenues were lower in the quarter due to the timing of product orders and shipments.

Ecofibre harvested 230ha of ECO-MS77 fibre seed in late September, which will be sold to fibre growers in Australia (2Q23) and the USA (3Q23).

A further crop was planted in South Texas in October 2022 to meet the demand for the US fiber market for the 2023 summer growing season. Total seed propagation area will be 7-8x FY22 levels. In the future, Ecofibre will increase its US planting supply to match supply and demand in each region.

## Appendix 4C Cash Flow Discussion

The Company's cash position as at 30 September 2022 was \$9.7m (30 June 2022: \$7.3m).

- Cash outflow from **operating** activities in the quarter was \$4.6m, including:
  - Receipts from customers +\$8.0m was in line with revenue for the quarter
  - R&D (-\$1.9m) included the cost of clinical trials and research and development in all three lines of business.
  - Product manufacturing and operating costs (-\$4.2m) included minor grower payments for Ananda Food (-\$0.3m) and packaging for new Ananda Health products and nylon polymer for the new turf yarn customer contract.
- Cashflows used in **investing** activities totaled -\$0.9m, mainly related to the ongoing development of new Hemp Black yarn extrusion lines and including \$0.3m for the purchase of ECS Botanics hemp food and wellness business and the second installment for the purchase of New Composite Partners.
- Cashflows from **financing** activities in the quarter include the balance of loan funds received from NuBridge Commercial Lending LLC (USD6.4m) and the repayment of AUD2.0m on a term loan.

Loan funds provided to the Company now total approximately AUD27.0m, representing approximately 30% of tangible assets as of 30 June 2022.

Other near-term operating cash flows are expected to include:

- USD1.5m receivable for US Employee Retention Credits (USD0.7m was received in 1Q23); and
- USD2.7m refund of taxes paid in prior financial years due to a one-off measure in the US that permits FY21 tax losses to be carried back against prior period taxable income.

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 totaled \$180,000 during the quarter for directors' salaries and fees.

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**About Ecofibre**

Ecofibre is a diversified industrial hemp company in the United States and Australia.

We operate three vertically integrated businesses focused on growth in natural health care, plant-based foods, and sustainable product solutions.

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. See [www.anandafood.com](http://www.anandafood.com).

Ananda Health is a leading US manufacturer of hemp-based nutraceuticals for the professional market. We produce CBD products for human and pet consumption and topical health and beauty products. Our focus on high-quality, efficacious, and safe products is supported by a commitment to clinical research in Australia and the USA, focused on conditions including sleep, pain, anxiety, endometriosis, and gynecological diseases. See [www.anandaprofessional.com](http://www.anandaprofessional.com). Ananda Hemp provides Australians with medicinal cannabis products as part of the SAS-B program. Ananda Hemp provides a range of products manufactured at our US facility under the S4 and S8 categories. See [www.anandahemp.com.au](http://www.anandahemp.com.au).

Hemp Black is an industrial business focused on textiles and bioplastics, with specialist capabilities in yarn extrusion, knitting, and polymer compounding. We use innovative hemp-based composite technology to help de-carbonise consumer products and supply chains for various industries. See [www.hempblack.com](http://www.hempblack.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	30 September 2022	
<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,961	7,961
1.2 Payments for		
(a) research and development	(1,913)	(1,913)
(b) product manufacturing and operating costs	(4,230)	(4,230)
<i>Grower payments, Ananda Health</i>	-	-
<i>Grower payments, Ananda Food</i>	(312)	(312)
<i>Production costs</i>	(3,918)	(3,918)
(c) advertising and marketing	(546)	(546)
(d) leased assets	(67)	(67)
(e) staff costs	(3,446)	(3,446)
(f) administration and corporate costs	(2,892)	(2,892)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(433)	(433)
1.6 Income taxes	(26)	(26)
1.7 Government grants and tax incentives	1,000	1,000
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,589)</b>	<b>(4,589)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(324)	(324)
(c) property, plant and equipment	(512)	(512)
(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 (3 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	78	78
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	(129)	(129)
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(887)</b>	<b>(887)</b>

<b>3.</b> <b>Cash flows from financing activities</b>		
<b>3.1</b> Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
<b>3.2</b> Proceeds from issue of convertible debt securities	-	-
<b>3.3</b> Proceeds from exercise of options	-	-
<b>3.4</b> Transaction costs related to issues of equity securities or convertible debt securities	-	-
<b>3.5</b> Proceeds from borrowings	9,170	9,170
<b>3.6</b> Repayment of borrowings	(2,000)	(2,000)
<b>3.7</b> Transaction costs related to loans and borrowings	-	-
<b>3.8</b> Dividends paid	-	-
<b>3.9</b> Other (payment for principal portion of lease liabilities)	(124)	(124)
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>7,046</b>	<b>7,046</b>

<b>4.</b> <b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
<b>4.1</b> Cash and cash equivalents at beginning of period	7,251	7,251
<b>4.2</b> Net cash from / (used in) operating activities (item 1.9 above)	(4,589)	(4,589)

## 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 (3 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(887)	(887)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,046	7,046
4.5	Effect of movement in exchange rates on cash held	889	889
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>9,710</b>	<b>9,710</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	8,928	7,046
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Nubridge impound, term deposits and credit card clearing accounts)	782	205
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,710</b>	<b>7,251</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	180
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	26,944	26,944
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	26,944	26,944
7.5	<b>Unused financing facilities available at quarter end</b>		-
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 &amp; Cordelia Thiele Trust Fund</p> <ul style="list-style-type: none"> <li>• Principal amount: AUD 8.0m</li> <li>• Date of original loan: June 2020</li> <li>• Repayment date: \$8m repayable on 15 July 2023. Ecofibre also has an option to reduce the amount repayable on 15 July 2023 to \$2m, and to repay the remaining balance of \$6m on 15 July 2024.</li> <li>• Interest rate: 8.0% 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 2023</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: June 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)	(4,589)
8.2 Cash and cash equivalents at quarter end (item 4.6)	9,710
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	9,710
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>2.1</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?	
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.

27 October 2022

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.