



28 April 2023

Ecofibre Limited - 3Q23 Update and 4C Report

HIGHLIGHTS

- Revenue \$8.2m, up 11% pcp and down 1% on the prior quarter
 - Hemp Black achieved record sales in the March quarter
 - Mixed results from Ananda Health (down) and Ananda Food (up)
- Cost reduction strategy on-track: 3Q23 operating costs down 19% from the 1H23 average
- Cash \$7.5m as of 31 March
- Trading update for April
 - Growth opportunities in bioplastic and sustainable yarn progressing well
 - Research portfolio has met the next major milestone - US Patent and Trademark Office (USPTO) issued a Notice of Allowance on three patent applications for the portfolio of work on gynecological diseases.

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides its Appendix 4C Quarterly Report for the three months ended 31 March 2023 (3Q23) together with an update on the Company's trading performance.

3Q23 Trading Update

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

Ecofibre CEO Eric Wang said, "March quarter revenues included record sales for Hemp Black, offset by lower sales in Ananda Health."

"Our cost reduction program is delivering as forecasted, with operating expenses significantly lower at \$8.3m for the March quarter, down from \$10.1m in the December quarter and \$10.3m in the September quarter. With our cost-reduction program on track, normalised operating cash flows will continue to improve."

"We remain focused on returning the business to positive operating cashflows, supported by revenue growth initiatives across the business."

Hemp Black – 3Q23 revenue \$4.7m (\$3.6m in 3Q22)

Hemp Black delivered a record quarterly revenue result in 3Q23 with continued strong revenues for the turf and biomedical yarn businesses.

Hemp Black continues progressing with significant new opportunities to supply recyclable polymer yarns and bio-plastic materials to major new business partners. In each case, the potential customers are large international businesses looking to introduce more sustainable products into their supply chains. We will keep the market informed of these programs.

Ananda Health – 3Q23 revenue \$2.5m (\$2.9m in 3Q22)

Overall sales in the quarter were lower due to ongoing high levels of competition and discounting in the market. The business is addressing these industry challenges by focusing on the professional channels and leveraging our superior manufacturing capabilities.

In February, the new condition-specific range of products in a tincture format was launched, followed by the fruit chew format in April. The products are formulated for specific conditions, including pain and inflammation, poor sleep, and stress.



Additionally, to ensure a reliable, quality supply of fruit chews, Ananda Health has established an in-house manufacturing capability that leverages its SGS-certified manufacturing facility.

Based on the quality of our manufacturing capability, the business is onboarding new white-label clients who are seeking a certified, high-quality fruit chew manufacturer. The first of these clients was onboarded in April.

Ananda Food - 3Q23 revenue \$1.0m (\$0.8m in 3Q22)

Food revenues were higher in the quarter, with final fibre seed sales from the 2022/23 Australian harvest of \$0.5m. Ecofibre harvested 230ha of ECO-MS77 fibre seed in late September and sold it to growers in Australia and the USA.

Advancing Ecofibre's Gynecological cancer research portfolio

During the quarter, Ecofibre was issued Notice of Allowances for three patent applications. The patents will be granted upon payment of the requisite issue fees to the USPTO. Ecofibre has recently paid the requisite fees and we expect the patents to be granted shortly.

The patents that were issued a Notice of Allowance include the treatment for Ovarian Cancer, the treatment of Endometriosis, and Ecofibre's proprietary System and Method for Producing Hemp Extracts.

The remaining two patent applications, the treatment of Head and Neck Cancer and the treatment of Endometrial Cancer are still under review by the USPTO.

Ecofibre CEO Eric Wang said, "With the very important upcoming milestone of patents being granted, we are now in a position to work with financial partners to optimise the commercial value of our intellectual property portfolio at a minimal future cost to Ecofibre."

Implementation of Strategic Review

As noted in Ecofibre's investor presentation on 20 February 2023, the Company continues to focus on delivering cash-positive operations. Unaudited operating costs reduced from \$10.3m in the September quarter to \$8.3m in the March quarter.

Appendix 4C Cash Flow Discussion

The Company's cash position on 31 March 2023 was \$7.5m (31 December 2022: \$7.4m).

- Cash from **operating** activities in the quarter was neutral. This result included inflows for US government receivables and outflows due to timing differences between collections and sales and final R&D payments.
 - \$4.6m was received from the US Federal Government relating to prior period tax refunds and employee retention credits.

- Receipts from customers (+\$6.8m) were \$1.4m lower than revenue due to higher debtor balances, driven by the timing differences between collections and sales.
- R&D (-\$1.3m), including \$0.7m paid to Newcastle University for the gynecological disease portfolio.
- Cashflows used in **investing** activities were neutral in the quarter.
- Cashflows from **financing** activities in the quarter were -\$0.1m.

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 \$183,000 during the quarter for directors' salaries and fees.

Investor Relations and Media, please contact:

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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.

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. 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.

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.

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")

31 March 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	6,781	24,916
1.2	Payments for		
	(a) research and development	(1,335)	(4,465)
	(b) product manufacturing and operating costs	(3,667)	(11,676)
	<i>Grower payments, Ananda Health</i>	-	-
	<i>Grower payments, Ananda Food</i>	(30)	(874)
	<i>Production costs</i>	(3,637)	(10,802)
	(c) advertising and marketing	(254)	(1,101)
	(d) leased assets	(91)	(256)
	(e) staff costs	(3,505)	(10,740)
	(f) administration and corporate costs	(2,162)	(7,536)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	134	153
1.5	Interest and other costs of finance paid	(614)	(1,685)
1.6	Income taxes	3,843	3,785
1.7	Government grants and tax incentives	739	2,577
1.8	Other (provide details if material)	149	149
1.9	Net cash from / (used in) operating activities	18	(5,879)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	(73)	(398)
	(c) property, plant and equipment	(355)	(1,306)
	(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 (9 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	286	440
	(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)	152	32
2.6	Net cash from / (used in) investing activities	10	(1,232)

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	-	9,170
3.6	Repayment of borrowings	-	(2,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment for principal portion of lease liabilities)	(101)	(339)
3.10	Net cash from / (used in) financing activities	(101)	6,831

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,375	7,251
4.2	Net cash from / (used in) operating activities (item 1.9 above)	18	(5,880)

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 (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	10	(1,232)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(101)	6,831
4.5	Effect of movement in exchange rates on cash held	242	574
4.6	Cash and cash equivalents at end of period	7,544	7,544

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	7,273	7,046
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Nubridge retention, term deposits and credit card clearing accounts)	271	329
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,544	7,375

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	183
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	26,406	26,406
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	26,406	26,406
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> <div style="border: 1px solid black; padding: 5px;"> <p>Lender: James & Cordelia Thiele Trust Fund</p> <ul style="list-style-type: none"> Principal amount: AUD 8.0m Date of original loan: June 2020 Repayment date: \$1m repayable on 15 July 2023, \$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 </div>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	18
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,544
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	7,544
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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.

28 April 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.