

24 April 2024

### Ecofibre Limited - 3Q24 Update and 4C Report

#### HIGHLIGHTS

- Total cash \$10.4m at 31 March
  - Includes \$7.1m group funds and \$3.3m EOF Bio
  - Committed capital expenditure \$2.9m payable in 4Q24 to complete new turf line
  - EOF-Bio LLC continues to raise its own capital to fund operations, raising USD3m from investors in January, 2024.
- 3Q24 operating cash outflow \$1.9m, excluding EOF-Bio cash outflow of \$1.1m
  - Operating cashflow included \$0.5m insurance recovery
  - 3Q24 revenue \$8.1m, up 13% on prior quarter
  - 3Q24 unaudited operating costs (excluding EOF Bio) down 6% from prior quarter
- 3Q24 investment cash inflows totaled \$7.1m, including
  - +\$5.1m from partial sell down of Ecofibre shareholding in EOF Bio
  - +\$2.0m from sale of Ananda Food
- Cash Positive Plan remains challenging but progress evident during the quarter
  - Ecofibre Advanced Technologies +\$0.4m EBITDA (unaudited)
  - Ananda Health +\$0.1m EBITDA (unaudited)
  - Program of asset sales continues to help fund operations and repay debt
    - Non-binding LOI to sell two Greensboro properties for US\$10.4m

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides its Appendix 4C Quarterly Report for the three months ended 31 March 2024 (3Q24) together with an update on the Company's trading performance.

## 3Q24 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 in its Cash Positive Plan:

### 1. *Focus on core businesses*

The Board continues to focus on monetising assets to reduce financing risk and fund growth in businesses able to be cash flow positive in the near term.

As discussed further below, Ecofibre Advanced Technologies and Ananda Health both delivered EBITDA-positive results during the quarter.

Ecofibre completed the sale of the hemp food and animal products business of Ananda Food Pty Ltd in March for \$2.0m. A further earnout up to \$1.0m is payable subject to the value of cat litter product sales between 1 April 2024 and 30 June 2025. The transaction enabled Ecofibre to exit a sub-scale business and increase focus on its core businesses. The retained seed and genetics assets are now held in a new business called Ecofibre Genetics.

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

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

Unaudited operating costs reduced by a further 6%, from \$6.7m in 2Q24 to \$6.3m in 3Q24<sup>1</sup>. This reduction was achieved notwithstanding a significant level of legal and compliance costs incurred during the quarter.

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 \$5.1 million.

<sup>1</sup> Excluding EOF Bio. Prior quarter expenses normalised for one off credit in share based payments (\$3.7m) following departure of former CEO.

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. The proposed sale price is USD10.4m. These funds will be used repay a USD10m secured loan from Nubridge Commercial Lending LLC by 1 July 2024.

### 3. *Deliver ongoing revenue growth in Ecofibre Advanced Technologies*

A key medium term growth engine for the group is Ecofibre Advanced Technologies (Ecofibre A.T, formerly known as Hemp Black).

Ecofibre A.T was launched with clients during the quarter, including at the Munich Performance Days functional fabric fair in March 2024. We continue to invest in this business where there is a strong economic case that fits one or more of our core capabilities.

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

As set out below, EOF Bio is focussed on commercialising EOF-001, a proprietary cannabinoid-based drug candidate with significant potential in multiple indications. The strengthened team and business partners are making good progress against the commercialisation plan as they best position the business for success.

## 3Q24 Trading Update

Unaudited revenue for 3Q24 was \$8.1m, up 13% on the prior quarter and down 1% on the prior corresponding period (pcp).

Ecofibre Chairman Vanessa Wallace said, "During the quarter Ecofibre made progress in delivering its Cash Positive Plan. Our two core businesses delivered positive trading results, reflecting revenue growth and continued strong cost control."

"4Q24 will be a critical period for the group. For Ecofibre A.T, key steps include finalising the investment and commissioning the second turf line and starting commercial production of NEOLAST™ yarn. Ananda Health has reset its cost base and will gradually begin to increase its investment in sales and marketing in the coming periods as we drive sales growth in non-CBD as well as our traditional CBD products. For the Corporate team, completing the sale of the Greensboro properties is a priority."

**Ecofibre A.T** – 3Q24 revenue \$4.9m (2Q24: \$3.7m; 3Q23: \$4.7m)

As expected, 3Q revenue for the business improved significantly from the prior two quarters following the restart of medical yarn production in January.

Revenue in the quarter was also underpinned by full production in the turf yarn business and ongoing work with Cruz Foam to produce high quality, sustainable bio-foam for an increasing range of applications.

In mid-April Ecofibre A.T received initial confirmation that NEOLAST™ knitting trials with Under Armour knitting mills are materially complete, and the company awaits final confirmation in order to commence sales.

Preparations for Ecofibre's second turf line are on-track, with the new yarn extruder shipped from the European manufacturer in April, and the yarn winders and texturisers expected to ship in mid-May. Final payments for this machinery will total USD1.9m (AUD 2.9m) in 4Q24.

**Ananda Health** – 3Q24 revenue \$2.7m (2Q24: \$2.4m; 3Q23: \$2.5m)

During the quarter Ananda Health continued to focus on its core independent pharmacy channel, US website sales and its Australian business.

The business' new, non-CBD product Glunozym continues to be a priority, and since its launch last quarter sales have continued to exceed expectations. The new product line is also generating sale orders with new accounts that had previously not been interested in CBD products.

During the quarter, Ananda Health began supplying condition-specific gummy products to a US distributor for sale to Healthcare Practitioners nationwide, and also appointed a new full service distributor for the Australian market which will deliver an improved customer experience, lower costs, and improve speed of product delivery.

Ananda Health President Alex Nance said "I am extremely pleased that the team's ongoing efforts delivered a positive financial result this quarter. With the cost-base of the business reset we can move forward with confidence to grow the business from a strong foundation."

**Ananda Food** – 3Q24 revenue \$0.6m (2Q24: \$1.1m; 3Q23: \$1.0m)

Revenue from the discontinued food and pet products business totalled \$0.6m in its final quarter of operation as part of the Ecofibre group, and unaudited EBITDA totalled -\$0.1m.

There were no sales of fibre planting seed during the quarter, however 39T shipped to the USA for sale in April.

During the quarter, Ecofibre received \$0.5m from its insurer 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.

### *Operations*

Ecofibre's Chairman, Vanessa Wallace said, "During the quarter the EOF-Bio Board was pleased to appoint Mr Simon Allen as CEO of EOF Bio to lead the commercial development of this emerging technology to improve women's health."

"Simon is a highly experienced pharmaceutical executive with over 30 years of global biotechnology experience spanning multiple technology platforms and therapeutic sectors. Accomplishments include 27 partnerships, 7 financings, and 6 scientific publications (some including Biosafety Level 3 work). Simon has also worked as an equities analyst covering selected companies within the pharmaceutical and medical device sectors."

EOF Bio is focussed on commercialising EOF-001, a proprietary cannabinoid-based drug candidate with significant potential in multiple indications. During the March quarter additional methods-of-use and formulation-based patent applications were filed that are expected to provide additional protections and opportunities for EOF-001.

### *Self-Funding*

In January 2024 EOF-Bio secured USD2.9m additional funds through the issue of new units in the entity to investors, which 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 unitholder in EOF-Bio over time, either by the injection of external capital or sale of additional units in EOF-Bio. A US based healthcare-focussed investment bank is being engaged to support future capital raisings for the business.

*Litigation*

As previously announced on 5 March 2024, Ecofibre advises that proceedings were commenced against the Company, its subsidiary Ecofibre USA Inc, and the directors and officers of the Company, by employee/unitholders making claims in relation to the management of EOF Bio LLC, and seeking orders for unspecified damages.

The Company has filed a motion to dismiss the proceedings, and will continue to vigorously defend the action.

**Appendix 4C Cash Flow Discussion**

As at 31 March 2024 the Company’s cash balance was \$10.4m (31 December 2023: \$2.0m), which included \$3.3m 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.

<b>3Q24 Cash Summary (AU\$m)</b>	<b>Ecofibre A.T Ananda Health Ananda Food Corporate</b>	<b>EOF Bio</b>	<b>Total</b>
Opening Cash	2.0	0.1	2.0
Operating cash inflows (outflows)	(1.9)	(1.1)	(3.0)
Investing cash inflows (outflows)	7.1	0.0	7.1
Financing cash inflows (outflows)	(0.1)	4.4	4.3
FX	0.0	0.0	0.0
Closing Cash	7.1	3.3	10.4

Overall:

- Cash outflow from **operating** activities in the quarter was \$3.0m (\$1.9m excluding EOF-Bio)  
Operating cashflows included \$0.6m interest expense, \$0.5m received from Ecofibre's insurer in relation to damage to fibre planting seed in FY23, and significantly higher legal and professional fees (up \$0.7m compared with the average of the prior two quarters).
- Cash inflows from **investing** activities totalled \$7.1m in the quarter, including \$2.0m received from the sale of the food and pet products business, and \$5.1m from the sale of a partial stake in EOF Bio.
- Cash inflows from **financing** activities in the quarter were \$4.3m, 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 \$85,000 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](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.

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.

## 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 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,858	22,024
1.2 Payments for		
(a) research and development	(420)	(2,555)
(b) product manufacturing and operating costs	(3,473)	(10,934)
<i>Grower payments, Ananda Health</i>	-	-
<i>Grower payments, Ananda Food</i>	(246)	(723)
<i>Production costs</i>	(3,227)	(10,211)
(c) advertising and marketing	(200)	(830)
(d) leased assets	(62)	(234)
(e) staff costs	(3,129)	(10,292)
(f) administration and corporate costs	(3,443)	(7,074)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	43
1.5 Interest and other costs of finance paid	(590)	(1,934)
1.6 Income taxes	(25)	(52)
1.7 Government grants and tax incentives	-	730
1.8 Other (provide details if material)	500	500
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,981)</b>	<b>(10,608)</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	(93)	(3,024)
(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	2,000	2,000
(c) property, plant and equipment	17	231
(d) investments	5,130	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)	-	14
<b>2.6 Net cash from / (used in) investing activities</b>	<b>7,054</b>	<b>4,351</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	4,352	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)	(91)	(268)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>4,261</b>	<b>9,219</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	2,049	7,289
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,981)	(10,608)

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 (9 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	7,054	4,351
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,261	9,219
4.5	Effect of movement in exchange rates on cash held	24	156
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>10,407</b>	<b>10,407</b>

<b>5. 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	10,197	1,838
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Nubridge retention, term deposits and credit card clearing accounts)	210	211
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>10,407</b>	<b>2,049</b>

<b>6. 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	85
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	25,851	25,851
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	25,851	25,851
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 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)	(2,981)
8.2 Cash and cash equivalents at quarter end (item 4.6)	10,407
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	10,407
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>3.5</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?	
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.

24 April 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.