



24 August 2020

Ecofibre Limited completes acquisition of TexInnovate to accelerate commercialisation of Hemp Black

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, OTC-NASDAQ Intl Designation: EOFBF) is pleased to announce that it has completed the acquisition of TexInnovate, a portfolio of five businesses with deep technical expertise across a broad range of high-performance textile disciplines.

Ecofibre Chairman Barry Lambert said, "I congratulate our CEO Eric Wang and his team for completing the acquisition of such an important asset that will underpin the future growth and success of Hemp Black."

"On behalf of the Board, I would like to welcome Jeff Bruner and his highly skilled team and look forward to their continued success as part of the Ecofibre family."

Acquisition underpins delivery of Hemp Black's vision

Ecofibre CEO Eric Wang stated, "Hemp Black's vision is to improve our global environment by embedding its sustainable technology in a wide range of industries, including high-performance apparel, personal protection, military, healthcare and travel."

"This is a bold vision, but we have strong conviction that Hemp Black's value proposition resonates across industries and geographies. Our initial focus will be on specific segments to ensure we deliver on shareholder commitments and grow responsibly."

At its core, Hemp Black:

- is a more sustainable, natural source of anti-microbial and conductive properties
 - replaces or compliments heavy metals and precious metals currently used as an anti-microbial or conductor
 - replaces chemicals currently used as an anti-microbial
- is a highly attractive solution that meets the commercial needs of industry partners
 - Hemp Black delivers these technical properties into existing standard supply chains
 - has the ability to deliver these technical properties cost effectively

The combined business is well positioned to be a reliable, high quality supply chain partner for customers who place a high value on corporate responsibility and environmental sustainability.



Our feedstock is derived from hemp, a highly sustainable crop that consumes significantly less water than other comparable crops. Hemp used by Hemp Black is grown without herbicides or pesticides.

Hemp Black President Jeff Bruner said, "I am highly confident in our ability to deliver the outstanding technical properties of hemp to premium markets across a range of industries. Over the past 18 months we have worked closely with Ecofibre and developed the technical knowhow to do so."

"I am personally very excited at the breadth of opportunities that will benefit my existing commercial relationships as well as the healthcare relationships of Ecofibre. Our team looks forward to an exciting long-term journey that will, in my view, be a game-changer to an industry that I have been a part of for over 40 years."

Execution of Hemp Black strategic priorities underway

Eric Wang said, "Education is core to the growth and success of Hemp Black. Hemp Black will need to educate consumers, businesses and regulatory bodies on the benefits of hemp from an industrial, sustainability and supply chain viability perspective. This is similar to our Ananda Health business in the US, where we invest heavily to educate pharmacists, doctors and consumers on the safety and science behind CBD.

"I believe this education process will result in hemp leading one of the most important shifts in product sustainability as the world looks to find alternatives to heavy and precious metals, chemicals and agricultural inputs that require significant amounts of water, herbicides and pesticides."

The strategic priorities for Hemp Black are:

1. establish the right infrastructure to profitably commercialise Hemp Black intellectual property
2. build brand
3. develop use cases of our technology to educate new partners and customers
4. profitably commercialise existing relationships

Mr Wang said "The acquisition completes our first strategic priority, and the team is now focused on completing integration and growing the combined business. Ecofibre will regularly update shareholders as we progress our strategy."

Due diligence and completion

Appendix 1 provides an update to the 29 July 2020 announcement on the consideration and timelines of the acquisition.

Appendix 1: Update on acquisition highlights and timetable as at completion

Consideration for the business (as per 29 July announcement)	Final consideration for the business (as at close 21 August 2020, US time)
<p>At completion, scheduled for 1 September 2020, Ecofibre will pay USD 21,000,000 comprising</p> <ul style="list-style-type: none"> o USD 10,500,000 cash; and o USD 10,500,000 equivalent in Ecofibre shares, with the number of shares determined based on a VWAP price of Ecofibre's shares in the 5 days following this announcement (Scrip Value) 	<p>Ecofibre completed the transaction as follows:</p> <ul style="list-style-type: none"> o USD 10,500,000 cash; and o USD 10,500,000 equivalent in Ecofibre shares (5,924,926 shares to be issued)
<p>An "earnout" with a value up to USD 21,000,000, payable in 3 equal tranches (USD 7,000,000 each) on the 3rd, 4th and 5th anniversaries after completion. Each such payment will consist of 50% cash and 50% Ecofibre shares at the Scrip Value.</p> <p>The earnout is subject to the acquired businesses delivering USD6m EBIT for two consecutive annual periods.</p>	<p>An "earnout" with a value up to USD 21,000,000, payable in 3 equal tranches (USD 7,000,000 each) on the 3rd, 4th and 5th anniversaries after completion. Each such payment will consist of 50% cash and 50% Ecofibre shares. Total potential shares to be issued across the 3 tranches: 5,924,926 shares.</p> <p>The earnout is subject to the acquired businesses delivering USD6m EBIT for two consecutive annual periods.</p>
<p>Consideration for real estate (c.USD 7,000,000) will be determined by independent market appraisal. The real estate includes three buildings on two properties that currently house TexInnovate. This portion of the acquisition will be settled in cash at completion.</p>	<p>Consideration for real estate (c.USD 6,620,000) as determined by independent market appraisal, settled in cash.</p>

Timeline of events	Projected Date (as per 29 July announcement)	Updated Dates (as at 21 August completion)
Announcement of acquisition and placement Lodgment of Appendix 3B	28 July 2020	28 July 2020
Execution of Asset Sale Agreement and related documents	28 July 2020	28 July 2020
Completion of placement and lodgment of Appendix 2A	29 July 2020	29 July 2020
New placement shares commence trading	3 August 2020	4 August 2020
End of due diligence period	29 August 2020	21 August 2020
Completion of acquisition - cash settlement	1 September 2020	21 August 2020
Completion of acquisition - lodgment of Appendix 3B and Appendix 2A for initial share-based consideration	1 September 2020	24 August 2020
Initial consideration shares expected to commence trading	3 September 2020	26 August 2020



Forward-Looking Statements

This release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Ecofibre.

These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

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About Ecofibre

Ecofibre is a provider of hemp products in the United States and Australia.

In the United States, the Ananda Health is the #1 provider of hemp-derived CBD for retail pharmacies. The Company produces nutraceutical products for human and pet consumption, as well as topical creams and salves. See www.anandahemp.com and www.anandaprofessional.com. The Company also supplies its leading Ananda Hemp CBD products to Australians via the SAS B program.

In Australia, the Company produces 100% Australian grown and processed hemp food products including protein powders, de-hulled hemp seed and hemp oil. See www.anandafood.com.

The Company is also developing innovative hemp-based products in textiles and composite materials in the United States. See www.hempblack.com.

The Company owns or controls key parts of the value chain in each business, from breeding, growing and production to sales and marketing. Our value proposition to customers is built on strong brands and quality products.

Authorisation

This document is authorised to be given to the Australian Securities Exchange (ASX) by the Board of the Company.

