

ASX APPENDIX 4E

ECS BOTANICS HOLDINGS LIMITED

ABN: 98 009 805 298

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE YEAR ENDED 30 JUNE 2021

(Previous corresponding period is the year ended 30 June 2020)

| KEY INFORMATION | 30-Jun-21 \$ | 30-Jun-20 \$ | % Change |
|---|-----------------|-----------------|----------|
| Revenue from ordinary activities | 1,375,045 | 919,128 | 50% |
| Loss from ordinary activities after tax attributable to members | (4,335,572) | (4,569,470) | (5%) |
| Net loss attributable to members | (4,335,572) | (4,569,470) | (5%) |

DIVIDEND INFORMATION

No dividend has been proposed or declared.

| NET TANGIBLE ASSETS PER SECURITY | 30-Jun-21 | 30-Jun-20 |
|----------------------------------|-----------|-----------|
| Net tangible assets per security | 1.98 | 0.99 |

| EARNINGS PER SHARE | 30-Jun-21 Cents | 30-Jun-20 Cents |
|----------------------------|--------------------|--------------------|
| Basic earnings per share | (0.64) | (0.90) |
| Diluted earnings per share | (0.64) | (0.90) |

CONTROL GAINED OR LOST OVER ENTITIES IN THE PERIOD

On 12 March 2021, ECS Botanics Holdings Limited completed the acquisition of 100% of Murray Meds Pty Ltd and Flower Day Farms Pty Ltd.

This report is based on, and should be read in conjunction with, the attached financial report for the year ended 30 June 2021 for ECS Botanics Holdings Limited, which has been audited by BDO.



www.ecsbotanicalsholdings.com

ABN 98 009 805 298

Annual Report

For The Year Ended 30 June 2021



ABOUT US

ECS is a large scale cultivator and manufacturer of white label medicinal cannabis products and own brand hemp wellness and food products

About ECS Botanics:

Incorporated in 2018 ECS entered the market with a forward-thinking business plan and vertically integrated business model, now producing medicinal cannabis and hemp products at scale and low cost, without compromising on quality.

The company owns farms and Office of Drug Control (ODC) medicinal cannabis facilities in Tasmania and Victoria. The Victorian facility focuses on producing THC dry flower (for inhalation) and Good Manufacturing Practice (GMP) manufacturing on site for a growing list of customers in Australia and Europe. The Tasmanian facilities focus is on the production of CBD and other non-psychoactive cannabinoids while continually scaling production to meet the growing demand in Australia and Europe for high quality biomass, extracts and isolates. The company's focus on regulated cropping, manufacturing to EU GMP standards and geographically diversified production bases places it amongst an elite group of companies globally.

ECS is the largest and lowest cost producer of medicinal cannabis in Australia, while not compromising on quality. With sustainability as one of our three core values, the company complements its low carbon footprint by using only organic inputs and practices

regenerative agriculture to produce premium quality products as nature intended.

Another core value is patient outcomes, ECS is pioneering the cultivation of cannabis at scale in Australia with the benefits of lower cost product for patients. After a successful first season the company will further optimise its cultivation and manufacturing methodologies through key learnings. Genetic selection based on chemovars and phenotypes observed in the prior production period will also result in optimisation of plant yield, potency, and resilience, tailored to patient needs. We anticipate that in-house genetic development will result in cultivars ideally suited to the local climate and the needs of patients.

The company's medicinal cannabis business operates a B2B model enabling the company to supply a large and growing list of medicinal cannabis companies in Australia and Europe. In addition to its own manufacturing capacity ECS also has key manufacturing agreements in place enabling it to supply a wide range of cannabis products and be a one-stop shop for customers.

ECS also has a range of food and wellness products, produced from 100% Tasmanian hemp. The company has a number of distribution agreements in place, with products distributed in Woolworths, Coles and other independents. The hemp wellness and plant-based market is growing strongly which is also supporting growth in sales and demand for ECS' range of wholesale hemp products.

Annual Report.

For The Year Ended 30 June 2021

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Corporate Directory.

Board of Directors

Mr Alexander Keach
Mr David McCredie
Mr Jeremy King
Mr Michael Nitsche
Ms Nan Maree Schoerie

(Managing Director) (appointed 11 July 2019)
(Non-Executive chair) (appointed 11 July 2019)
(Non-Executive Director) (appointed 11 January 2017)
(Non-Executive Director) (appointed 25 March 2019)
(Executive Director) (appointed 15 March 2021)

Company Secretary

Mr Mauro Piccini

Registered Office

94 Green Rises Road, Cressy
Tasmania 7302

Telephone: 1300 169 775

Website: <https://ecsbotanicsholdings.com>

Stock Exchange Listing

Listed on the Australian Securities Exchange
(ASX Code: ECS)

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Bankers

Westpac Banking Corporation
Level 13, 109 St Georges Terrace
Perth WA 6000

Solicitors

Nova Legal
Level 2, 50 Kings Park Road
West Perth WA 6005

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

Telephone: 1300 787 272



Financial Year 2021 Highlights.



First medicinal cannabis sales and accelerating sales growth through a combination of contracted revenue and spot buying from customers



Successful launch and distribution agreements for CB1 and CB2 Terpenes blends under the ECS Wellness range



Medicinal cannabis sales forecast to reach \$2m by the end of CY2021



Tripling of premium dry flower capacity with 2000m² of additional protective cropping under construction



Signing of medicinal cannabis supply agreements in Australia and Europe



GMP license extension to include packing dried flower products



Capital and opex light B2B business model gathering strong commercial momentum and setting a new industry benchmark in medicinal cannabis production



Plans submitted to Office of Drug Control (ODC) to expand cultivation area in Tasmania by over 100 times



Medicinal cannabis, food & wellness differentiating ECS from competitors



Acquisition of Murray Meds – Victorian medicinal cannabis cultivation and GMP manufacturing facility



Tasmanian expansion lays foundation to further expand on the company's position as Australia's largest lowest cost medicinal cannabis company. Tasmanian expansion modelled on the world leading Tasmanian opium sector



Therapeutic Goods Administration (TGA) final decision on scheduling and allowable maximum daily dosage limit, opening new market segment for over-the-counter CBD in pharmacies and further supporting scale up of ECS' Tasmanian CBD project

Message From The Managing Director.

Dear shareholders,

FY21 has been a defining year for the company as we start to leverage assets that we have established in proceeding years. These include our production base, industry leading team and culture, intellectual property and systems. As a result, the company is at a major inflection point. We are now in a position to significantly grow revenues, progress towards profitability and take advantage of substantial growth in demand for medicinal cannabis and other cannabis-based products in Australasia and Europe.

The company is on track to deliver significant revenue growth and increase its market share. We continue to supply high quality and affordable products under a strategic B2B business model, ensuring that we utilise multiple channels to access a ready market.

The integration of Murray Meds has expedited our business considerably and led to several cost savings, synergies and new market opportunities. This will benefit both our current and future customers. Following this transaction ECS is now positioned among and elite group of medicinal cannabis companies globally. It is exceptionally well placed to meet the surging demand for a variety of THC and CBD products, particularly as Australia is becoming increasingly known as the pathway to Europe for high quality (GMP) and regulated cannabis pharmaceuticals.

We are looking forward to planting our maiden medicinal cannabis crop in Tasmania. This will occur towards the end of 2021. We will also continue to research and implement the best genetics and processing techniques. This will further support lowering of production costs and scaling up production of broad-acre CBD and other non-psychoactive cannabinoids. As the business develops we are creating job opportunities in rural Victoria and Tasmania, as well as up-skilling existing labour and attracting specialised candidates in manufacturing, science and agriculture.

As early movers in the production of medicinal cannabis outdoors and at scale, ECS is building know how associated with chemovars suited to

our local climate and patient requirements. The research and development in genetics under our research license provides valuable insights into optimising the selection of chemovars best suited to our local climate. Another key component of our R&D process is understanding patient needs. By combining these two objectives our goal is to provide the best medicinal cannabis outcomes at the lowest cost.

ECS has prized land and water assets on the Murray River in Victoria and in Northern Tasmania. We utilise organic inputs and regenerative agriculture to add value to the land and to ensure that we produce a superior product for patients, in the manner that nature intended. ECS' production is substantially less energy intensive than typical cannabis producers. ECS utilises both hydro and solar as renewable energy sources and will continue to invest towards a carbon neutral status. Diversity, our third core value, has been shown to amplify the generation of innovation and solutions and enhance teamwork. The company is proud to have this across cultural, age and gender.

ECS' hemp food and wellness business consistently grew revenue quarter on quarter. The company launched a range of terpene blend products in cannabis sativa seed oil (Sleep, Calm, Relief) along with four distribution agreements to broaden reach across Australia. Subsequent to year end we also announced a national supply deal with Coles for hemp seed oil, with ECS now supplying both Australia's major retailers. This division is transitioning to have a greater focus on hemp wellness products in order to capture higher margins, increase efficiencies and with the view to target the overlap in Europe between wellness (novel foods) and pharmaceuticals. Hemp products are becoming more broadly accepted in the market and also becoming increasingly used as an additive into plant-based foods, cosmetics, skin care, pet food and pet care. The acceptance and use of hemp is also driving demand for ECS' range of wholesale products.

ECS has made major advances in a very short period of time. We are now beginning to reap the rewards of commitment to our forward-thinking business model, which is unique to the Australian marketplace. ECS' strategy and competitive pricing model is resonating strongly with local and overseas customers. This has instigated a shift away from Canadian imports and developed a strong local market for ECS' premium dry flower, oils and biomass. Moreover, demand will continue to grow as it is anticipated that the TGA will ultimately require all imported cannabis to be GMP manufactured. Both these points have major upside implications for the demand of our products and earnings outlook.

From a macro level there continues to be several developments, which will also underpin interest in the sector. During the year the deregulation of cannabis at the United Nations level will make it easier for nations to implement their own medicinal cannabis schemes. Furthermore, the level of research and acceptance by governments and the general public is continually increasing. The capacity to capture market share from pharmaceutical companies was evident when Irish pharmaceutical giant Jazz Pharmaceuticals agreed to buy cannabis company GW Pharmaceuticals for USD\$7.2 billion. Locally, Australia's Therapeutic Goods Administration

(TGA) agreed to reduce the schedule of CBD from 4 to 3 and allow a maximum daily dose of 150mg per day. This has opened the door for registered CBD products to be sold over the counter in pharmacy and will present an opportunity for ECS to supply the raw materials into another high growth vertical market.

The company raised capital during the year and this was invested in accelerating growth and commercialising the business towards medicinal cannabis revenue generation. This strategy included purchasing Murray Meds, investing in new product development, key hires and building six new protected cropping enclosures to take advantage of surging demand for ECS' premium dry flower.

We wish to thank all our shareholders, partners and employees for their support during FY21. Over the course of the coming year, ECS intends to further build upon its market leading and respected industry position. Our differentiated business model is both disruptive and innovative and holds us in good stead as we enter the next phase. We intend on leveraging our production capacity and pharmaceutical expertise to capture increasingly significant market share in Australia and Europe.



Alex Keach
Managing Director

Directors' Report.

The Directors of ECS Botanics Holdings Ltd ("ECS" or "the Company") present their report, together with the financial statements of the Company and controlled entities for the year ended 30 June 2021.

Directors

The names and particulars of the Company's directors in office during the financial year and at the date of this report are as follows. Directors held office for this entire year unless otherwise stated.

Alexander Keach | Managing Director

(Appointed 11 July 2019)

Alex has a degree in Rural Business Management and is a graduate of the Australian Institute of Company Directors (AICD). Alex was born in Tasmania, has farming interests in Tasmania, and brings with him significant industry experience and stakeholder relationships. Alex is a board member of the Hemp Association of Tasmania (HAT) and director of Tap Agrico. In addition to his industry experience, Alex also has corporate experience and ASX board experience.

Alex has a diverse background with 15 years' experience working in financial markets as a senior manager, investor, adviser and fund manager. Alex has also acted as a corporate advisor, and managed the development and implementation of new strategies, governance and change management within an organisation. Alex has founded, grown and financed companies across agriculture, financial services and mining. Alex has practical skills in agriculture including many years' experience working on properties, including the cultivation of poppies, a narcotic raw material that is further processed to become an active pharmaceutical ingredient.

As Managing Director Alex is responsible for managing the overall business, providing strategic guidance, ensuring good governance, capital and investor management and building industry relationships.

During the past three years, Mr Keach held the following directorships in other ASX listed companies:

- Non-Executive Director of Sunvest Corporation Limited (Resigned November 2018); and
 - Lanka Graphite Limited (Resigned September 2017).
-

Nan Maree Schoerie | Executive Director

(Appointed 15 March 2021)

Nan has held Australian business leader positions of large organisations such as GE, ThermoFisher and Ventia, having shown an ability to deliver extraordinary bottom and top line growth across different geographies and industries. Nan's passion for delivering customer value and her determination to deliver outcomes resulted in enviable customer retention rates whilst regularly securing large annuity contracts, some valued at over \$200m.

Ms Schoerie has not held any other directorships in other ASX listed companies in the past three years.

Directors' Report.

Mr David McCredie | Non-Executive chair (Appointed 11 July 2019)

David has been the CEO of the Australian British Chamber of Commerce since 2010. His interactions with a broad range of industries both in Australia and the UK enables him to provide crucial advice to government, non-government and private sector organisations on best practice in a range of fields, including business strategy, marketing, financing, political and government connectivity.

David has strong strategic and business development capabilities, becoming a highly regarded resource for those looking to broaden exposure within their sector, across industries and into new markets. David has a Bachelor of Arts and a Master of Business Administration.

Mr McCredie does not hold and has not held a directorship in any other public listed company over the past 3 years.

Jeremy King | Non-Executive Director (Appointed 11 January 2017)

Mr King is a corporate lawyer and adviser with over 20 years' experience in domestic and international legal, financial and corporate matters. Mr King is a director of a boutique corporate advisory and compliance business where he specializes in corporate and strategic advice and managing legal issues associated with clients. He spent several years in London where he worked with Allen and Overy LLP and Debevoise & Plimpton LLP and has extensive experience, particularly in relation to cross border private equity, leveraged buy-out acquisitions and acting for banks, financial institutions and corporate issuers in respect of various debt and equity capital raisings. He regularly advises ASX listed companies on corporate and commercial matters.

During the past three years, Mr King held the following directorships in other ASX listed companies:

- Executive Director of Red Mountain Mining Limited (current);
- Non-Executive Director ECS Botanics Holdings Ltd (current);
- Non-Executive Director of Smart Parking Limited (current);
- Non-Executive Director of Burgundy Diamond Mines Limited (current);
- Non-Executive Director of Sultan Resources Limited (current);
- Non-Executive Chairman of Aldoro Resources Limited (resigned November 2019);
- Non-Executive Director of Vanadium Resources Limited (resigned July 2019);
- Non-Executive Director of DTI Group Limited (resigned January 2019); and
- Non-Executive Chairman of Queensland Pacific Metals Limited (formerly Pure Minerals Limited) (resigned November 2018).

Michael Nitsche | Non-Executive Director (Appointed 25 March 2019)

Michael is the founder and Executive Director of ARQ Capital, a boutique corporate advisory firm based in Perth, Western Australia. He has extensive experience in equity capital markets, particularly advising on deal structuring for IPO's, equity capital raisings, mergers and acquisitions.

Directors' Report.

From 2011 to 2014 Michael served as Institutional Advisor and Associate Director at two of Australia's most respected stockbroking firms. Michael has held directorships that span public and private boards across multiple market sectors. He holds a post graduate Diploma in Applied Finance with a major in Wealth Management through FINSIA.

Mr Nitsche does not hold and has not held a directorship in any other public listed company over the past 3 years.

Company Secretary

Mauro Piccini

(Appointed 6 November 2017)

Mauro Piccini is a corporate advisor at Mirador Corporate, where he specialises in corporate advisory, company secretarial and financial management services. He spent 7 years at the ASX and possesses core competencies in publicly listed and unlisted company secretarial, administration and governance disciplines. Mauro is currently the Company Secretary of Six Sigma Metals Ltd (ASX: SI6), Red Mountain Mining Ltd (ASX:RMX), Queensland Pacific Metals Limited (ASX:PM1) and Sultan Resources Ltd (ASX:SLZ). Mauro started his career in the Perth office of Ernst and Young where he spent several years in their assurance division and is a Chartered Accountant and member of the Governance Institute of Australia.

Interests In Shares And Options Of The Company And Related Bodies Corporate

The following table sets out each current Director's relevant interest in shares and options of the Company or a related body corporate as at the date of this report.

| Director | Ordinary Shares | Share Options | Performance Rights |
|--------------------|--------------------|-------------------|--------------------|
| Mr Alex Keach | 90,548,668 | 937,500 | 41,337,435 |
| Mr David McCredie | 625,611 | 937,500 | 194,301 |
| Mr Jeremy King | - | 11,000,000 | - |
| Mr Michael Nitsche | - | 5,500,000 | - |
| Nan Maree Schoerie | 100,000,000 | - | - |
| Total | 191,174,279 | 18,375,000 | 41,531,736 |

Principal Activities

ECS Botanics Holdings Ltd (**ECS** or **Company**) is a vertically integrated medicinal cannabis and industrial hemp business. The company owns farms and medicinal cannabis facilities in Tasmania and Victoria for the cultivation, processing, and manufacturing of medicinal cannabis. ECS manufactures to EU GMP standards and also has the necessary licences to cultivate and manufacture medicinal cannabis for the wholesale extract, final dose and premium dry flower market. ECS cultivates hemp for the wholesale market and its retail food and wellness brand, while having obtained all the necessary licences to grow, supply and manufacture. ECS' core focus is scale and low-cost production, without compromising quality.

Directors' Report.

Review And Results Of Operations

During the financial year ending June 30 2021, the Company enhanced its focus on the medicinal cannabis industry as it continues to build its B2B medicinal cannabis, hemp food and wellness business. Notable initiatives for the Company during the relevant period are summarised below:

- Outdoor grow facility at 100% owned site in Tasmania: Construction of the facility has progressed and final irrigation and paddock preparation is underway leading into the commencement of first medicinal cannabis crop being planted in November 2021.
- Acquisition of Murray Meds: In January, 2021, the Company announced that it had agreed to acquire 100% of Murray Meds, a fully licensed and permitted cannabis cultivator based on the Murray river in northern Victoria. The acquisition was completed in March, 2021.
- Expansion of Murray Meds Facility: To meet growing patient demand for premium dried flower, ECS expanded operations at its Victorian cultivation facility. Construction is underway for an additional 2,000m² of protective cropping enclosures, which will add to the existing 1000m² capacity. Work is progressing and these enclosures are expected to be ready for planting in September/October 2021.
- Sales and distribution agreements: During the financial year, the Company announced a series of agreements regarding the supply of dry cannabis flower and oils to various customers, both domestic and international. The company is currently working on several meaningful sales agreements and is receiving significant inbound queries from overseas customers.
- New Products: Development of a range of terpene products, aimed principally at the wellness market was undertaken. Upon the launch of these products four distribution agreements were signed. In addition, the company is now supplying a range of medicinal cannabis products to a range of customers including dry flower (for inhalation), oil tinctures and biomass for extraction.
- Hemp Products: A range of retail and wholesale hemp products were sold to a growing customer base during the year, this included but was not limited to the white labelling of products for health food, hemp food and pet care brands. The sale of ECS plant based (with hemp) soups and hemp seed oil continued through Woolworths and other independent retailers. The hemp business revenue grew by 26% over the year, despite a large majority of the businesses resources being allocated to the medicinal cannabis business. ECS continued to transition its hemp food business to focus on oil products and higher value wellness products, seeing higher margins as a result.
- Cultivation: The company successfully cultivated another hemp seed crop in Tasmania. Furthermore, the company lodged plans with the Office of Drug Control (ODC) to expand its cultivation area from 2,500m² to 320,000m² and consolidate its industry leading business model in Tasmania. The planned expansion is a first of its kind in Australia and will continue to expand ECS's footprint as the ASX's largest and lowest cost producer of medicinal cannabis. The expansion (pending regulatory approvals) will scale up in line with demand from customers, with Tasmania expected to be a major contributor to driving revenue growth.
- ECS cultivation methods are industry leading, utilising protected cropping enclosures and outdoor grow. Organic inputs and regenerative farming practices are central to the company's principles and forward-thinking business model. The company's ability to leverage climates and growing techniques allows it to produce a high-quality product at scale and the lowest cost per gram.
- Manufacturing: ECS' Victorian facility (Murray Meds) holds a TGA Good Manufacturing Practice (GMP) manufacture licence for dried flower, oils and tinctures. This license allows the company to undergo its current activities of curing, trimming and packing biomass and premium dry flower (into jars) for its expanding customer base. ECS also has agreements with external manufacturing companies in order to supply oils (tinctures) under contracts signed with both local and overseas customers.

Directors' Report.

COVID-19

The company's supply chain was largely unaffected by COVID-19, and it did not impact on the hemp harvest. ECS implemented non-essential cost cutting measures to ensure the business remained in a strong cash position in 12 months' time, enabling a maintained focus on key business drivers to emerge in a stronger position.

Capital Raising

In July 2020, ECS announced it had raised \$600,000 through the placement of ~34.3 million shares at an issue price of \$0.0175 per share to sophisticated and professional investors. The Placement was completed in a single tranche under the Company's existing listing rule 7.1 placement capacity.

On 18 August 2020 the Company elected to close a Share Purchase Plan (SPP) run in conjunction with the placement. The SPP was significantly oversubscribed, raising \$750,000. The Company issued ~42.9 million fully paid ordinary shares in ECS at an issue price of \$0.0175 per share under the SPP.

On 11 December 2020, ECS announce it has received firm commitments to raise \$4,000,000 through the placement of ~88.8 million shares at an issue price of 4.5c per share.

On 22 April 2021, ECS advised that the pro-rata non-renounceable entitlement offer announced to the ASX on 18 March 2021, closed on 19 April 2021. The entitlement offer offered eligible shareholders registered on the Record Date the ability to subscribe for one (1) new share for every seventeen (17) existing shares held, at an issue price of \$0.05 (5 cents). Gross proceeds of \$398,162.05 were received.

The proceeds of the capital raisings were to accelerate the growth of the retail and wholesale hemp food business, develop new products and accelerate the company's medicinal cannabis strategy. This included completing the acquisition of Murray Meds, plant and equipment to scale up cultivation and manufacturing and working capital to support the hiring of key executives in sales, cultivation and GMP manufacturing.

Xcel Capital Pty Ltd and Sanlam Private Wealth were engaged to act as Joint Lead Managers (JLMs) to both placements, the SPP and entitlement offer.

Cash

The Company held a cash balance of \$4,244,950 as at 30 June 2021.

Directors' Report.

Financial Performance

The financial results of the Company for the year ended 30 June 2021 are:

| | 30-Jun-21(\$) | 30-Jun-20(\$) |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 4,244,950 | 1,904,014 |
| Net Assets/(liability) | 17,089,532 | 5,034,736 |
| Revenue | 1,375,045 | 919,128 |
| Net loss after tax | (4,335,572) | (4,569,470) |

Dividends

No dividends have been paid or declared by the Company since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

Significant Changes In The State Of Affairs

The significant changes in state of affairs during the financial year include:

Acquisition of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd

On 12 March 2021, ECS Botanics Ltd acquired Murray Meds Pty Ltd and Flowerday Farms Pty Ltd as part of the transaction, ECS has also agreed to purchase the Flowerday Land Property ("FDL") (and associated FDL Water Rights).

The consideration paid for the acquisition was AUD\$1.0million and 100 million fully paid ordinary shares at a deemed issue price of \$0.005 per share. A deferred payment of \$1.5 million is payable upon settlement of the FDL property purchase. The settlement is to occur within 12 months of ECS acquiring the shares in Murray Meds Pty Ltd and Flowerday Farms Pty Ltd.

Murray Meds has a fully licensed medicinal cannabis cultivation and manufacturing facility located on the Murray River in North Western Victoria. The facility holds a Cultivation, Research and Manufacturing Licence from the Australian Office of Drug Control as well as permits to cultivate and produce 3,500 kilograms of medicinal cannabis. Murray Meds also holds a TGA Good Manufacturing Practice (GMP) manufacture licence for dried flower, oils and tinctures.

Board Appointments and Resignations

On 15 March 2021, the Company appointed Ms Nan Maree Schoerie as Executive Director of ECS Botanics Holdings Ltd.

Directors' Report.

Matters Subsequent To The Reporting Period

The Company entered into a five year agreement with Poland based Alivio Spolka to generate \$4.5m in medical cannabis product sales.

ECS appointed four leading executives in new and existing production and business development positions. Each new appointment will support the Company's growth, business development, and R&D efforts, as well as add leading industry expertise to ECS's best-in-class management team.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. Apart from an inability of key management to travel and some staffing issues during the lockdown period, there have been no major implications for the Company. However due to the uncertain future of the pandemic the Company is mindful of business growth and sales initiatives overseas possibly being affected. Furthermore, where regulators require in person inspections this could affect the Company's operations. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results.

There has been no matter, or circumstance, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Directors' Meetings

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

| Director | Number Eligible to Attend | Number Attended |
|--------------------------------------|---------------------------|-----------------|
| Mr Alex Keach | 3 | 3 |
| Mr David McCredie | 3 | 3 |
| Mr Jeremy King | 3 | 3 |
| Mr Michael Nitsche | 3 | 3 |
| Ms Nan Maree Schoerie ⁽ⁱ⁾ | 1 | 1 |

(i) Appointed 15 March 2021

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

Due to the size and scale of the Company, there is no Remuneration and Nomination Committee or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, managed by the Board. For details of the function of the Board, please refer to the Corporate Governance Statement.

Likely Developments And Expected Results Of Operations

Subject to finalising the permit, ECS will proceed with the cultivation of its maiden commercial medicinal cannabis crop in Tasmania this year. ECS has worked closely with leading pharmaceutical consultancy firm, PharmOut, throughout the whole licensing, construction and permitting phases of this project.

Directors' Report.

Environmental Regulation

ECS Botanics Holdings Limited is subject to significant environmental regulation. The relevant authorities are kept updated and, to the best of the directors' knowledge and belief, all responsibilities under the regulations have been discharged and there have been no breaches of any environmental regulation.

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2021 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

a) Key Management Personnel Disclosed in this Report

Key Management Personnel of the Company during the year:

| | |
|------------------------------|--|
| Mr Jeremy King | Non-Executive Director (appointed 11 January 2017) |
| Mr Michael Nitsche | Non-Executive Director (appointed 25 March 2019) |
| Mr Alex Keach | Managing Director (appointed 11 July 2019) |
| Mr David McCredie | Non-Executive Director (appointed 11 July 2019) |
| Is Nan Maree Schoerie | Executive Director (appointed 15 March 2021) |

There have been no other changes after reporting date and up to the date that the financial report was authorised for issue.

The Remuneration Report is set out under the following main headings:

| | |
|----------|---|
| A | Remuneration Philosophy |
| B | Remuneration Governance, Structure and Approvals |
| C | Remuneration and Performance |
| D | Details of Remuneration |
| E | Service Agreements |
| F | Share-based Compensation |
| G | Equity Instruments Issued on Exercise of Remuneration Options |
| H | Loans with KMP |
| I | Other Transactions with KMP |
| J | Voting of shareholders at last's years Annual General Meeting |

Directors' Report.

A. Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Company. KMP of the Company comprise of the Board of Directors.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No remuneration consultants were employed during the financial year.

B. Remuneration Governance, Structure and Approvals

The nature and amount of remuneration is collectively considered by the Board of Directors with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors.

1. Executive Remuneration Structure

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of high performance Directors.

The main objectives sought when reviewing executive remuneration is that the Company has:

- Coherent remuneration policies and practices to attract and retain Executives;
- Executives who will create value for shareholders;
- Competitive remuneration offered benchmarked against the external market; and
- Fair and responsible rewards to Executives having regard to the performance of the Company, the performance of the Executives and the general pay environment.

2. Executive Remuneration Approvals

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. Executive contracts are reviewed annually by the Board, in the absence of a Remuneration Committee, for their approval. The process consists of a review of company, business unit and individual performance, relevant comparative remuneration internally and externally and where appropriate, external advice independent of management.

Executive remuneration and incentive policies and practices must be aligned with the Company's vision, values and overall business objectives. Executive remuneration and incentive policies and practices must be designed to motivate management to pursue the Company's long-term growth and success and demonstrate a clear relationship between the Company's overall performance and performance of the executives.

Directors' Report.

C. Remuneration and Performance

The following table shows the gross revenue, losses, earnings per share ("EPS") and share price of the Company as at 30 June 2021.

| | 30-Jun-21 | 30-Jun-20 |
|-------------------------|-------------|-------------|
| Revenue (\$) | 1,375,045 | 919,128 |
| Net loss after tax (\$) | (4,335,572) | (4,569,470) |
| EPS (cents) | (0.64) | (0.90) |
| Share price | 0.04 | 0.02 |
| Dividends | - | - |

Relationship between Remuneration and Company Performance

Given the recent listing of the Company and the current phase of the Company's development, the Board does not consider earnings during the current and previous financial year when determining, and in relation to, the nature and amount of remuneration of KMP.

The pay and reward framework for key management personnel may consist of the following areas:

- Fixed Remuneration – base salary
- Variable Short-Term Incentives

The combination of these would comprise the key management personnel's total remuneration.

1. Fixed Remuneration – Base Salary

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary inclusive of statutory superannuation. It is structured as a total employment cost package.

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in any key management personnel's contract.

2. Variable Remuneration – Short Term Incentives (STI)

Discretionary cash bonuses may be paid to senior executives annually, subject to the requisite Board and shareholder approvals where applicable. No bonus payments were made during the financial year.

Directors' Report.

D. Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP of the Company during the financial year are:

Table 1 – Remuneration of KMP of the Company for the year ended 30 June 2021 is set out below:

| 30 June 2021 | Short-term Employee Benefits | | | Post-Employment | Share Based Payments | Total |
|---------------------|------------------------------|-----------------------|----------|-----------------|----------------------|----------------|
| | Salary & fees | Non-monetary benefits | Other | Superannuation | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| Alex Keach | 178,082 | - | - | 16,918 | - | 195,000 |
| David McCredie | 39,420 | - | - | - | - | 39,420 |
| Jeremy King | 36,000 | - | - | 3,420 | - | 39,420 |
| Michael Nitsche | 36,000 | - | - | 3,420 | - | 39,420 |
| Nan Maree Schoerie* | 46,716 | - | - | 4,438 | - | 51,154 |
| Total | 336,218 | - | - | 28,196 | - | 364,414 |

*Appointed 15 March 2021.

Table 2 – Remuneration of KMP of the Company for the year ended 30 June 2020 is set out below:

| 30 June 2020 | Short-term Employee Benefits | | | Post-Employment | Share Based Payments | Total |
|-------------------|------------------------------|-----------------------|----------|-----------------|----------------------|----------------|
| | Salary & fees | Non-monetary benefits | Other | Superannuation | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| Alex Keach | 172,332 | - | - | 16,372 | 10,149 | 198,853 |
| David McCredie | 37,348 | - | - | - | 10,149 | 47,497 |
| Jeremy King | 36,000 | - | - | 3,420 | 119,083 | 158,503 |
| Michael Nitsche | 36,000 | - | - | 3,420 | 59,542 | 98,962 |
| Justyn Stedwell** | 700 | - | - | - | 21,651 | 22,351 |
| Total | 282,380 | - | - | 23,212 | 220,574 | 526,166 |

**Resigned 15 July 2019.

Directors' Report.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

Table 3 – Relative proportion of fixed vs variable remuneration expense.

| Name | Fixed Remuneration | | At Risk – STI (%) | | At Risk – LTI (%) | |
|---------------------|--------------------|------|-------------------|------|-------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Directors | | | | | | |
| Alex Keach | 100% | 95% | - | - | - | 5% |
| David McCredie | 100% | 79% | - | - | - | 21% |
| Jeremy King | 100% | 25% | - | - | - | 75% |
| Michael Nitsche | 100% | 40% | - | - | - | 60% |
| Nan Maree Schoerie* | 100% | - | - | - | - | - |
| Justyn Stedwell | -% | 3% | - | - | - | 97% |

Table 4 – Shareholdings of KMP (direct and indirect holdings)

| 30 June 2021 | Balance at 01/07/2020 | Granted as Remuneration | On Exercise of Options | Net Change – Other ⁽ⁱ⁾ | Balance at 30/06/2021 |
|---------------------|-----------------------|-------------------------|------------------------|-----------------------------------|-----------------------|
| Directors | | | | | |
| Alex Keach | 90,548,668 | - | - | - | 90,548,668 |
| David McCredie | 625,611 | - | - | - | 625,611 |
| Jeremy King | - | - | - | - | - |
| Michael Nitsche | - | - | - | - | - |
| Nan Maree Schoerie* | - | - | - | 100,000,000 | 100,000,000 |
| Total | 91,174,279 | - | - | 100,000,000 | 191,174,279 |

(i) Flowerday Holdings Pty Ltd, a company owned by Nan-Maree Schoerie, received 100,000,000 shares in ECS Botanics Holdings Ltd for the disposal of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd.

*Appointed 15 March 2021.

Table 5 – Performance rights of KMP (direct and indirect holdings)

| 30 June 2021 | Balance at 01/07/2020 | Granted as Remuneration | Net Change – Other | Balance at 30/06/2021 |
|-----------------------|-----------------------|-------------------------|--------------------|-----------------------|
| Directors | | | | |
| Alex Keach | 41,337,435 | - | - | 41,337,435 |
| David McCredie | 194,301 | - | - | 194,301 |
| Jeremy King | - | - | - | - |
| Michael Nitsche | - | - | - | - |
| Nan Maree Schoerie(i) | - | - | - | - |
| Total | 41,531,736 | - | - | 41,531,736 |

Directors' Report.

Table 6 – Unquoted option holdings of KMP (direct and indirect holdings)

| 30 June 2021 | Balance at 01/07/2020 | Granted as Remuneration | On Exercise of Options | Net Change – Other | Balance at 30/06/2021 |
|-----------------------|--------------------------|----------------------------|---------------------------|-----------------------|--------------------------|
| Directors | | | | | |
| Alex Keach | 937,500 | - | - | - | 937,500 |
| David McCredie | 937,500 | - | - | - | 937,500 |
| Jeremy King | 11,000,000 | - | - | - | 11,000,000 |
| Michael Nitsche | 5,500,000 | - | - | - | 5,500,000 |
| Nan Maree Schoerie(i) | - | - | - | - | - |
| Total | 18,375,000 | - | - | - | 18,375,000 |

(i) Appointed 15 March 2021

Table 7 - Other transactions with KMP

Milestone A performance rights which were granted on 11 July 2019 vested upon ECS achieving an annual revenue of \$1 million this financial year.

| 30 June 2021 | Performance Rights vested | Share-based payments expense (\$) |
|------------------|------------------------------|--------------------------------------|
| Directors | | |
| Alex Keach | 13,779,145 | 551,166 |
| David McCredie | 64,767 | 2,591 |
| Total | 13,843,912 | 553,757 |

E. Service Agreements

1. Alex Keach – Managing Director

- Contract: Commenced on 11 July 2019
- Director's Fee: \$195,000 per annum including superannuation
- Term: 12 months from the commencement date with extended term options
- Termination: On termination the executive is entitled to be paid any outstanding amounts owing up until the termination date. The executive does not have any entitlement to payment related to the unexpired portion of the term as at the date of termination.

2. Nan Maree Schoerie – Executive Director

- Contract: Commenced on 15 March 2021
- Director's Fee: \$195,000 per annum including superannuation
- Term: 12 months from the commencement date with extended term options
- Termination: On termination the executive is entitled to be paid any outstanding amounts owing up until the termination date. The executive does not have any entitlement to payment related to the unexpired portion of the term as at the date of termination.

Directors' Report.

F. Share-based Compensation

The Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

G. Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options or performance rights were exercised during the financial year.

H. Loans with KMP

There were no loans made to any KMP during the year ended 30 June 2021 (2020: \$nil).

I. Other Transactions with KMP

Related Party Transactions

| | 2021(\$) | 2020(\$) |
|---|----------|-----------|
| The following related party transactions were made during the year: | | |
| Financial management fees paid to Mirador Corporate Pty Ltd ⁽ⁱ⁾ | 132,550 | 197,205 |
| Farm rental payments made to The Coy Farm Unit Trust ⁽ⁱⁱ⁾ | - | 16,000 |
| Purchase of COY Farm from The Coy Farm Unit Trust ⁽ⁱⁱ⁾ | - | 1,506,413 |
| Office rental payments made to Australian British Chamber of Commerce ⁽ⁱⁱⁱ⁾ | 28,800 | 19,200 |
| Consulting fees paid to Pharmout ^(iv) | 224,614 | - |
| Payments made to Quiksolve ^(iv) | 334 | - |
| Payments made to Maverick Agriculture ^(v) | 3,666 | - |
| Rental payments made to Schoerie SMFS ^(vi) | 6,806 | - |
| Vesting of milestone A performance rights ^(vii) | 553,757 | - |
| <i>i. An entity in which Jeremy King is a Director of which \$9,775 remains unpaid at 30 June 2021.</i> | | |
| <i>ii. An entity in which Alex Keach has a 20% investment as trustee through Keach & Co Pty Ltd.</i> | | |
| <i>iii. An entity in which David McCredie is a CEO.</i> | | |
| <i>iv. An entity owned by a close family member of Nan Maree Schoerie.</i> | | |
| <i>v. An entity of which Alex Keach is part owner.</i> | | |
| <i>vi. An entity owned by Nan Maree Schoerie.</i> | | |
| <i>vii. Milestone A performance rights which were granted on 11 July 2019 vested upon ECS achieving an annual revenue of \$1 million this financial year. 13,779,145 performance rights held by Alex Keach vested; a share-based payment expense of \$551,166 was recognised. 64,767 performance rights held by David McCredie vested; a share-based payment expense of \$2,591 was recognised.</i> | | |

There were no other transactions with KMP during the year ended 30 June 2021.

J. Voting of shareholders at last year's Annual General Meeting

ECS Botanics Holdings Limited received more than 93% on its remuneration report for the 2020 financial year.

End of Audited Remuneration Report.



Directors' Report.

Indemnification And Insurance Of Officers And Auditors

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to ensure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF BDO AUDIT (WA) PTY LTD

There are no officers of the company who are former partners at BDO Audit (WA) Pty Ltd.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 27 to the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Directors' Report.

SHARES UNDER OPTION

At the date of this report there were the following unissued ordinary shares for which options were outstanding:

- 20,375,000 unquoted options exercisable at \$0.08 on or before 16 January 2023.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

At the date of this report there were no issued shares on the exercise of options granted during the year 30 June 2021. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

PERFORMANCE SHARES

- 43,750,000 Milestone B Performance Rights, expiry date of 1 July 2022;
- 43,750,000 Milestone C Performance Rights, expiry date of 1 July 2023.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and included within these financial statements. A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2011* is set out on page 25.

This report is signed in accordance with a resolution of Board of Directors.



A handwritten signature in dark ink, appearing to read 'Alex Keach', written in a cursive style.

Alex Keach

Managing Director

31 August 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ECS BOTANCS HOLDINGS LIMITED

As lead auditor of ECS Botanics Holdings Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ECS Botanics Holdings Limited and the entities it controlled during the period.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 31 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Financial Year Ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|---|--------|--------------------|--------------------|
| Revenue from continuing operations | | | |
| Revenue | 4 | 1,375,045 | 919,128 |
| Expenses | | | |
| Cost of goods sold | | (1,483,939) | (658,130) |
| Depreciation and amortisation expenses | 13, 14 | (187,926) | (22,378) |
| Marketing expenses | | (214,989) | (123,697) |
| Occupancy expenses | | (68,210) | (24,312) |
| Administrative expenses | | (334,459) | (275,799) |
| Professional fees | | (238,681) | (209,697) |
| Legal fees | | (42,602) | (51,653) |
| Consulting and corporate advisory fees | | (285,544) | (415,740) |
| Medicinal cannabis consulting fees | | (144,006) | - |
| Compliance and regulatory expenses | | (377,939) | (183,860) |
| Wages and superannuation | | (1,381,871) | (747,920) |
| Research and development costs | | (74,874) | - |
| Listing fees | 5 | - | (2,431,489) |
| Share based payment expense | 20 | (1,786,050) | (220,574) |
| Share of losses of Tasmanian Agricultural Producers Pty Ltd | 15 | (162,685) | (84,938) |
| Inventory write-off | | (109,822) | - |
| Fair value (gain/loss) on biological assets | | 429,270 | (38,411) |
| Loss before income tax | | (5,089,282) | (4,569,470) |
| Income tax benefit/ (expense) | 6 | 753,710 | - |
| Loss after income tax | | (4,335,572) | (4,569,470) |
| Other comprehensive income | | | |
| Other comprehensive income for the year, net of income tax | | - | - |
| Other comprehensive income/(loss) for the year, net of tax | | (4,335,572) | (4,569,470) |
| Total comprehensive loss attributable to the members of ECS Botanics Holdings Limited | | (4,335,572) | (4,569,470) |
| Loss per share for the year attributable to the members of ECS Botanics Holdings Limited | | | |
| Basic loss per share (cents) | 21 | (0.64) | (0.90) |
| Diluted loss per share (cents) | 21 | (0.64) | (0.90) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|---|-------|-------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 4,244,950 | 1,904,014 |
| Trade and other receivables | 9,9a | 824,551 | 848,153 |
| Inventories | 10 | 2,974,033 | 575,710 |
| Total current assets | | 8,043,534 | 3,327,877 |
| Non-current assets | | | |
| Plant and equipment | 14 | 7,036,265 | 1,473,833 |
| Intangible assets | 13 | 2,923,756 | - |
| Investments accounted for using the equity method | 12,15 | 502,377 | 665,062 |
| Total non-current assets | | 10,462,398 | 2,138,895 |
| Total assets | | 18,505,932 | 5,466,772 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 1,028,887 | 282,872 |
| Borrowings | | 1,446 | 2,104 |
| Provisions | 17 | 160,022 | 50,184 |
| Other liabilities | 16a | 200,750 | 96,876 |
| Lease liability | 18 | 7,141 | - |
| Total current liabilities | | 1,398,246 | 432,036 |
| Non-current liabilities | | | |
| Lease liability | 18 | 18,154 | - |
| Total non-current liabilities | | 18,154 | - |
| Total liabilities | | 1,416,400 | 432,036 |
| Net Assets | | 17,089,532 | 5,034,736 |
| EQUITY | | | |
| Contributed equity | 19 | 24,870,764 | 10,230,396 |
| Reserves | 20 | 1,970,574 | 220,574 |
| Accumulated losses | | (9,751,806) | (5,416,234) |
| Total equity | | 17,089,532 | 5,034,736 |

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2021

| | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|--|-------------------------|------------------|-----------------------------|--------------------|
| At 1 July 2020 | 10,230,396 | 220,574 | (5,416,234) | 5,034,736 |
| Loss after income tax for the year | - | - | (4,335,572) | (4,335,572) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income/(loss) for the year after tax | - | - | (4,335,572) | (4,335,572) |
| Transactions with owners in their capacity as owners | | | | |
| Issue of share capital (net of costs) | 9,204,318 | - | - | 9,204,318 |
| Incentive shares | 36,050 | - | - | 36,050 |
| Acquisition of Murray Meds Pty Ltd and Flower Day Farms Pty Ltd (note 3) | 5,400,000 | - | - | 5,400,000 |
| Vesting of performance rights | - | 1,750,000 | - | 1,750,000 |
| At 30 June 2021 | 24,870,764 | 1,970,574 | (9,751,806) | 17,089,532 |
| At 1 July 2019 | 1,855,500 | - | (846,764) | 1,008,736 |
| Loss after income tax for the year | - | - | (4,569,470) | (4,569,470) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income/(loss) for the year after tax | - | - | (4,569,470) | (4,569,470) |
| Transactions with owners in their capacity as owners | | | | |
| Issue of share capital (net of costs) | 6,071,253 | - | - | 6,071,253 |
| Facilitation shares | 400,000 | - | - | 400,000 |
| Consideration shares | 1,903,643 | - | - | 1,903,643 |
| Options issued | - | 220,574 | - | 220,574 |
| At 30 June 2020 | 10,230,396 | 220,574 | (5,416,234) | 5,034,736 |

The Consolidated Statement of Changes in Equity should be read
in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the Financial Year ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|---|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,442,155 | 520,718 |
| Payments to suppliers and employees | | (3,706,965) | (3,450,515) |
| Interest received | | 875 | 4,180 |
| Interest paid | | (167) | - |
| Net cash used in operating activities | 8(a) | <u>(2,264,102)</u> | <u>(2,925,617)</u> |
| Cash flows from investing activities | | | |
| Acquisition of Murray Meds Pty Ltd and Flower Day Farms Pty Ltd, net of cash acquired | | (953,775) | - |
| Payments for plant and equipment | | (1,898,231) | (226,148) |
| Payments for land and buildings | | (1,544,079) | (1,228,282) |
| Payments for investments | | - | (750,000) |
| Payments to Murray Meds Pty Ltd, prior to acquisition | | (200,000) | - |
| Net cash used in investing activities | | <u>(4,596,085)</u> | <u>(2,204,430)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares (net of costs) | | 9,204,318 | 6,071,253 |
| Repayment of lease liability | | (3,195) | - |
| Net cash from financing activities | | <u>9,201,123</u> | <u>6,071,253</u> |
| Net increase / (decrease) in cash and cash equivalents | | 2,340,936 | 941,206 |
| Cash and cash equivalents at the beginning of the year | | 1,904,014 | 962,808 |
| Cash and cash equivalents at the end of the year | 8 | <u>4,244,950</u> | <u>1,904,014</u> |

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

ECS Botanical Holdings Limited (referred to as “ECS” or the “Company”) is a company domiciled in Australia. The address of the Company’s registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The financial statements are presented in Australian dollars, which is ECS Botanical Holdings Limited’s functional and presentation currency.

(b) Basis of Preparation

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”). ECS Botanical Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The annual report was authorised for issue by the Board of Directors on 31 August 2021.

Basis of measurement

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

Accounting Policies

The accounting policies are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

Basis of preparation and changes to the Group’s accounting policies

The consolidated entity has adopted all of the new or amended Accounting Standards and interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period.

Significant Judgements and Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Comparatives

Comparative balances for the Company are for the financial year 1 July 2019 to 30 June 2020

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ECS Botanics Holdings Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. ECS Botanics Holdings Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition method of accounting is used to account for business combinations by the consolidated entity. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(f) Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in Other Comprehensive Income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Consolidated entity reviews impairment indicators at each reporting period in accordance with AASB 128 Investments in Associates and Joint Ventures. The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Revenue Recognition

Revenue is measured at the amount that reflects the consideration to which the entity is expected to be entitled. All revenue noted below is recognised at a point in time.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of control of the goods and the cessation of all involvement in those goods.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Grant funding

Cash Boost and Jobkeeper are recognised where there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

(h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Cash and Cash Equivalents

Cash on hand and in bank and short-term deposits are stated at nominal value. For the purpose of the statement of cash flows, cash includes cash on hand and in bank, and bank securities readily convertible to cash, net of outstanding bank overdrafts.

(j) Trade and Other Receivables

Trade receivables, which generally have 120 day terms, are recognised at fair value and subsequently measured at amortised cost less any allowance for expected credit losses.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(k) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The depreciable amount of all fixed assets is depreciated on a straight-line basis or diminishing value (whichever is more appropriate) over their useful lives to the entity commencing from the time the asset is held ready for use.

Land and buildings are recognised at historical cost on initial purchase, management review the value booked at each reporting date for impairment indicators.

The effective lives used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation rate |
|----------------------|-------------------|
| Buildings | 2.5% |

| Class of Fixed Asset | Useful life |
|------------------------------|-------------|
| Irrigation systems | 20 years |
| Other farm assets | 10 years |
| Property plant and equipment | 10-30 years |
| Motor vehicles | 4 years |
| Office equipment | 5 years |
| Computer equipment | 3 years |

(l) Biological assets

The Group's biological assets consist of the hemp growth accounted for in accordance with AASB 141 Agriculture. The Group measures the biological assets in accordance with AASB 141 Agriculture at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods within inventories. Fair value is determined based on future cash flows of the in process biological assets less costs to complete. Cost to sell include post-harvest production, shipping and fulfillment costs.

Where the biological assets cannot be reliably measured at fair value during the in-process (growth) stage the biological asset is measured at its cost less any accumulated depreciation and accumulated impairment losses. Once the fair value becomes reliably measurable (deemed to be the point of harvest) the Group measures the biological assets at their fair value less costs to sell as noted above.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of the hemp seeds are transferred from biological assets, in which they are held at fair value as at the date of harvest.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(n) Intangible assets

Intangible assets are recognised at cost less any accumulated amortisation and impairment losses. They are amortised over their estimated useful lives of 10 years. To maintain the Group's licences, they are subject to routine inspections throughout the licence period whereby the Group is required to comply with the regulations of the licences' governing bodies.

(o) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill, is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(p) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Company. Trade payables are usually settled within 30 days of recognition.

(q) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(r) Leases

A lease liability is recognised based on the discounted payments under the lease over the expected term of the lease. A cost model is used to recognise the right of use asset and amortise it over the expected term of the lease. For leases entered into prior to the 1 July 2019, assets previously classified as property, plant and equipment carry forward that classification.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(t) Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(u) Current and Non-Current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(v) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The critical accounting judgements, estimates and assumptions that are likely to affect the current or future balances are detailed below;

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees and service providers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. The assumptions and models used for estimating the fair value of share based payments transactions are disclosure in Note 20.

Contingent Consideration

During the year the Group assessed the probabilities of the contingent consideration being payable with respect to the reverse asset acquisition of ECS Botanics Pty Ltd occurring on 11 July 2019. The consideration comprised 131,250,000 Performance Rights that were issued as part of the Acquisition Consideration.

The Performance Rights vest subject to the below revenue milestones:

- 43,750,000 Performance Rights ('Milestone A Performance Rights') will convert into Shares upon ECS Botanics Pty Ltd achieving an annual revenue in any financial year of \$1.00 million within two years of the Company's readmission. This milestone was achieved during the year. As such, the milestone performance rights vested and a share-based payment expense of \$1,750,000 was recognised (2020: \$nil).
- 43,750,000 Performance Rights ('Milestone B Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$2.50 million within three years of the Company's readmission.
- 43,750,000 Performance Rights ('Milestone C Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$10.00 million within four years of the Company's readmission.

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS (CONT.)

Management have applied judgement to whether the achievement of the milestones are possible. While the achievement of Milestones B and C are possible, it is currently not probable and so no value has been ascribed to them and that these will be reassessed at each reporting period.

The consideration for the Milestone B and Milestone C shares are recognised as a contingent liability as disclosed within note 26 of the report.

As part of the terms of acquisition, ECS Botanics Holdings Limited will also purchase a property within 12 months of its acquisition of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd. The agreed purchase price of the property is \$1,500,000. This amount has been recognised as a contingent consideration and is disclosed as a contingent liability in note 26 of the annual report.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Business combination

On 12 March 2021 the Group acquired Murray Meds Pty Ltd and Flowerday Farms Pty Ltd resulting in the requirement of the Group to measure assets acquired and liabilities assumed at their fair values. For specified assets acquired the Group engaged an expert to ascertain the fair value of the licenses acquired as at acquisition date. Significant estimates and judgements were made to determine the fair value of assets acquired, particularly the fair value of identified intangible assets and biological assets on acquisition.

Biological assets

In calculating the value of biological assets and inventories, management is required to make a number of estimates, including the stage of growth of medicinal cannabis and hemp plants, harvesting costs, selling costs, sales price, wastage and expected yields for each plant.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realisable value. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS (CONT.)

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

To maintain the Group's licences, they are subject to routine inspections throughout the licence period whereby the Group is required to comply with the regulations of the licences' governing bodies. If these regulations are not met, this could impact on the estimated useful life of licences.

Reverse acquisition accounting

Estimates and judgements were made in determining the accounting treatment and value of the transaction. On 11 July 2019, ECS Botanics Holdings Limited (formerly Axxis Technology Group Limited), the legal parent and legal acquirer completed the acquisition of ECS Botanics Pty Ltd. The acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations. Instead the acquisition has been accounted for as a share based payment by which ECS Botanics Pty Ltd acquires the net assets and listing status of ECS Botanics Holdings Limited. Accordingly the consolidated financial statements have been prepared as if ECS Botanics Pty Ltd acquired ECS Botanics Holdings Limited, not vice versa as represented by the legal position. The comparative information is that of ECS Botanics Pty Ltd for 30 June 2020. The Comparative information for the Remuneration Report and related party transactions contains both the ECS Botanics Pty Ltd and Axxis Technology Group limited.

Notes to the Consolidated Financial Statements

NOTE 3 BUSINESS COMBINATION

On 12 March 2021, ECS Botanics Holdings Limited acquired 100% of the issued share capital of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd. The companies are collectively involved in the medicinal cannabis industry. Details of the purchase consideration and the net assets acquired are as follows.

| | \$ |
|--|------------------|
| Cash paid | 1,000,000 |
| Ordinary shares issued | 5,400,000 |
| Contingent consideration (refer note 26) | - |
| | <u>6,400,000</u> |

The fair value of the 100,000,000 shares issued as part of the consideration paid for Murray Meds Pty Ltd and Flowerday Farms Pty Ltd (\$5,400,000) was based on the capital raising share price of \$0.054 on the date on which the shares were issued. At the date that the shares were issued, the Company was undertaking a capital raising and the shares of the Company were under a trading halt. As such, the capital raising share price of \$0.054 was used.

The Company has provisionally recognised the fair values of the identifiable assets and liabilities recognised as a result of the acquisition occurring as at 12 March 2021, they are as follows.

| | Fair value \$ |
|--------------------------------|------------------|
| Cash | 46,225 |
| Other current assets | 20,439 |
| Inventories | 614,375 |
| Biological assets | 1,569,337 |
| Property, plant and equipment | 2,216,964 |
| Intangible assets- licenses(i) | 3,014,839 |
| Trade and other payables | (280,879) |
| Employee provisions | (19,101) |
| Borrowings | (28,489) |
| Deferred tax liability | (753,710) |
| Net assets acquired | <u>6,400,000</u> |

(i) The intangible assets acquired are licenses which allow the cultivation and sale of medicinal cannabis. There were no business acquisitions in the prior year.

Revenue and profit contribution

The acquired businesses contributed revenues of \$201,558 and net loss of \$355,022 to the Group for the period from 13 March 2021 to 30 June 2021. If the acquisition had occurred on 1 July 2020, consolidated pro-forma sales revenue and net loss for the year ended 30 June 2021 would have been \$1,246,619, and \$4,582,373, respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and the subsidiaries.

NOTE 4 REVENUE

| | 2021 \$ | 2020 \$ |
|-------------------|------------------|----------------|
| <i>Revenue*</i> | | |
| Retail sales | 132,982 | 39,928 |
| Wholesale sales | 1,113,637 | 796,832 |
| Other income | 14,938 | 76,389 |
| Government grants | 99,292 | - |
| Interest income | 875 | - |
| Rental income | 13,321 | 5,979 |
| | <u>1,375,045</u> | <u>919,128</u> |

* All Revenue is recognised at a point in time.

Notes to the Consolidated Financial Statements

NOTE 5 LISTING FEES

Listing expense on reverse acquisition of ECS Botanics Limited (note 2)
Facilitation shares issued
Less loss carried over from Axxis Technology

| 2021 | 2020 |
|------|-----------|
| \$ | \$ |
| - | 2,161,570 |
| - | 400,000 |
| - | (130,081) |
| - | 2,431,489 |

NOTE 6 INCOME TAX

(a) The components of tax expense comprise:

Current tax expense
Deferred tax (benefit)/ expense
Income tax (benefit)/ expense reported in the of profit or loss and other comprehensive income

| 2021 | 2020 |
|-----------|------|
| \$ | \$ |
| - | - |
| (753,710) | - |
| (753,710) | - |

(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Loss before income tax expense
Prima facie tax benefit on loss before income tax at 26% (2020: 27.5%)

| | |
|-------------|-------------|
| 5,089,282 | 4,569,470 |
| (1,323,213) | (1,256,604) |

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Share based payments
Other
Movement in deferred taxes not recognised
Recognition of previously unrecognised DTA
Income tax (benefit)/ expense

| | |
|-----------|-----------|
| 464,373 | 60,658 |
| 62,566 | 31,224 |
| 796,274 | 1,164,722 |
| (753,710) | - |
| (753,710) | - |

Deferred tax assets and liabilities not recognised
Tax Loss
Accrued expenses
Other
Net DTA not recognised

| | |
|------------|------------|
| 12,435,862 | 13,554,214 |
| 67,722 | 22,041 |
| 209,027 | 619,482 |
| 12,712,611 | 14,195,737 |

NOTE 7 SEGMENT INFORMATION

Identification of reportable operating segments

The information reported to the Board of Directors (being the Chief Operating Decision Makers ("CODM")), are the results as shown in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position.

The Directors have determined that there are two operating segments identified for the year which are considered separately reportable,

- ECS Botanics Pty Ltd – the sale of food and wellness products; and
- Murray Meds Pty Ltd and Flowerday Farms Pty Ltd – the sale of medicinal cannabis plant related products.

Notes to the Consolidated Financial Statements

NOTE 7 SEGMENT INFORMATION CONTINUED

| 30 June 2021 | ECS Pty Ltd \$ | Murray Meds Pty Ltd & Flower Day Farms Pty Ltd \$ | Corporate \$ | Total \$ |
|----------------------------------|-------------------|--|-----------------|-------------|
| Revenue | | | | |
| Retail sales | 132,982 | | | 132,982 |
| Wholesale sales | 912,079 | 201,558 | - | 1,113,637 |
| Other income | 109,159 | 18,392 | 875 | 128,426 |
| Segment revenue | 1,154,220 | 219,950 | 875 | 1,375,045 |
| Segment result | (1,878,651) | (567,202) | (2,642,005) | (5,087,858) |
| Finance costs | | | | (1,424) |
| Loss before income tax | | | | (5,089,282) |
| Income tax benefit | | | | 753,710 |
| Loss after income tax | | | | (4,335,572) |
| Segment assets | 6,235,986 | 8,272,175 | 3,997,771 | 18,505,932 |
| Segment liabilities | 431,876 | 764,068 | 220,456 | 1,416,400 |
| Capital expenditure | (3,075,923) | (358,241) | - | (3,434,164) |
| Depreciation and amortisation | (36,205) | (151,721) | - | (187,926) |
| 30 June 2020 | ECS Pty Ltd \$ | Murray Meds Pty Ltd & Flowerday Farms Pty Ltd \$ | Corporate \$ | Total \$ |
| Revenue | | | | |
| Retail sales | 39,928 | - | - | 39,928 |
| Wholesale sales | 796,832 | - | - | 796,832 |
| Other income | 76,389 | - | 5,979 | 82,368 |
| Segment revenue | 913,149 | - | 5,979 | 919,128 |
| Segment result | (1,078,789) | - | (3,490,681) | (4,569,470) |
| Finance costs | | | | - |
| Loss before income tax | | | | (4,569,470) |
| Income tax expense | | | | - |
| Loss after income tax | | | | (4,569,470) |
| Segment assets | 3,625,721 | - | 1,841,051 | 5,466,772 |
| Segment liabilities | (344,602) | - | (87,434) | (432,036) |
| Capital expenditure | (1,454,430) | - | - | (1,454,430) |
| Depreciation and amortisation | (22,378) | - | - | (22,378) |

Notes to the Consolidated Financial Statements

NOTE 8 CASH AND CASH EQUIVALENTS

| | 2021 \$ | 2020 \$ |
|--------------|------------------|------------------|
| Cash at bank | 4,244,950 | 1,904,014 |
| | 4,244,950 | 1,904,014 |

Cash at bank earns interest at floating rates based on daily deposit rates.
The Company's exposure to interest rate and credit risks is disclosed in Note 22.

(a) Reconciliation of net loss after tax to net cash flows from operations

| | | |
|---|--------------------|--------------------|
| Loss for the financial year | (4,335,572) | (4,569,470) |
| Non-Cash Items | | |
| Depreciation and amortisation | 187,926 | 22,378 |
| Investment in Tap Agrico equity accounting | 162,685 | 84,938 |
| Share based payments/listing expenses | 1,786,050 | 2,524,217 |
| Inventory write-off | 109,822 | - |
| Fair value gain/(loss) on biological assets | (429,270) | - |
| Income tax benefit | (753,710) | - |
| Changes in assets and liabilities | | |
| (Increase) / decrease in trade and other receivables | 44,042 | (766,393) |
| (Increase) / decrease in inventory | 104,836 | (474,633) |
| Increase / (decrease) in trade and other payables | 665,136 | 118,380 |
| Increase / (decrease) in provisions and other liabilities | 193,953 | 134,966 |
| Net cash used in operating activities | (2,264,102) | (2,925,617) |

The issue of shares on acquisition (note 3) are non-cash investing activities. There are no other non-cash financing and non-cash investing activities identified for the year ended 30 June 2021.

NOTE 9 TRADE AND OTHER RECEIVABLES

| | 2021 \$ | 2020 \$ |
|------------------------|----------------|----------------|
| Trade receivables | 427,135 | 467,891 |
| Other receivables (9a) | 397,416 | 380,262 |
| | 824,551 | 848,153 |

Allowance for expected credit loss

Receivables past due but not considered impaired are \$54,160 (2020: Nil). Other receivables are non-interest bearing and are generally on terms of 30 days. Information about the Group's exposure to credit risk is provided in note 22.

On the basis, the loss allowance as at 30 June 2021 was determined as follows:

| 30 June 2021 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total |
|---|---------|----------------------------------|----------------------------------|-----------------------------------|---------|
| Expected loss rate | - | - | 26% | 100% | |
| Gross carrying amount – trade receivables | 356,671 | 4,539 | 89,645 | 30,439 | 481,293 |

Notes to the Consolidated Financial Statements

NOTE 9a OTHER RECEIVABLES

| | 2021 \$ | 2020 \$ |
|----------------------------|----------------|----------------|
| Prepayments | 66,553 | 13,791 |
| Accrued income | - | 8,100 |
| GST and other receivables | 213,163 | 47,224 |
| Farmer offtake prepayment* | 117,700 | 311,147 |
| | 397,416 | 380,262 |

*Prepayments made to farmers on receipt of hemp seeds calculated based on the hemp weight received, prior to treatment, quality testing and subsequent transfer of ownership.

NOTE 10 INVENTORIES

| | 2021 \$ | 2020 \$ |
|----------------|------------------|----------------|
| Raw materials | 301,396 | 227,048 |
| Finished goods | 2,672,637 | 348,662 |
| | 2,974,033 | 575,710 |

NOTE 11 BIOLOGICAL ASSETS

| | 2021 \$ | 2020 \$ |
|--|-------------|------------|
| Balance at the beginning of the year | - | - |
| Acquisition through business combination | 1,569,337 | - |
| Write-off | (42,467) | - |
| Fair value gain/ (loss) | 429,270 | - |
| Transferred to inventory upon harvest | (1,956,140) | - |
| | - | - |

Biological assets were acquired as part of the business combination on 12 March 2021. The significant estimates and judgements relating to biological assets are disclosed in note 2. There were no medicinal cannabis plants remaining in the ground to be harvested at the end of the year.

NOTE 12 INVESTMENT IN ASSOCIATES

| | 2021 \$ | 2020 \$ |
|--|----------------|----------------|
| Investment in associate (refer to note 15) | 502,377 | 665,062 |
| | 502,377 | 665,062 |

Notes to the Consolidated Financial Statements

NOTE 13 INTANGIBLE ASSETS

| | 2021 \$ | 2020 \$ |
|-------------------------------|------------------|------------|
| Intangible assets | 3,014,839 | - |
| Less accumulated amortisation | (91,083) | - |
| | 2,923,756 | - |
| Opening balance | - | - |
| Acquisition of subsidiaries | 3,014,839 | - |
| Less amortisation | (91,083) | - |
| | 2,923,756 | - |

See note 1(n), note 1(o) and note 2 for the accounting policies relevant to intangible assets and note 3 for the nature of intangible assets acquired as part of the business combination.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

| | Land \$ | Buildings \$ | Other farm assets \$ | Property plant and equipment \$ | Motor vehicles ⁽ⁱ⁾ \$ | Construction in progress \$ | Total \$ |
|--------------------------------|------------------|------------------|----------------------------|--|--|-----------------------------------|------------------|
| Cost | | | | | | | |
| Balance at 1 July 2020 | 670,000 | 530,000 | 28,282 | 268,648 | - | - | 1,496,930 |
| Acquisition of subsidiaries | 466,146 | 1,539,068 | 105,976 | 201,309 | 34,909 | - | 2,347,408 |
| Additions | - | 96,152 | 245,050 | 1,548,883 | - | 1,544,079 | 3,434,164 |
| Balance at 30 June 2021 | 1,136,146 | 2,165,220 | 379,308 | 2,018,840 | 34,909 | 1,544,079 | 7,278,502 |
| Depreciation | | | | | | | |
| Balance at 1 July 2020 | - | 10,128 | 2,162 | 10,807 | - | - | 23,097 |
| Acquisition of subsidiaries | - | 92,234 | 4,954 | 17,793 | 15,462 | - | 130,443 |
| Depreciation for the year | - | 43,664 | 16,909 | 26,174 | 1,950 | - | 88,697 |
| Balance at 30 June 2021 | - | 146,026 | 24,025 | 54,774 | 17,412 | - | 242,237 |
| Carrying amounts | | | | | | | |
| at 1 July 2020 | 670,000 | 519,872 | 26,120 | 257,841 | - | - | 1,473,833 |
| at 30 June 2021 | 1,136,146 | 2,019,194 | 355,283 | 1,964,066 | 17,497 | 1,544,079 | 7,036,265 |

(i) The motor vehicle has been acquired via a hire purchase arrangement. See note 18 for details of the financing arrangement.

Notes to the Consolidated Financial Statements

NOTE 14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

| | Land \$ | Buildings \$ | Other farm assets \$ | Property plant and equipment \$ | Motor vehicles \$ | Construction in progress \$ | Total \$ |
|--------------------------------|------------|-----------------|----------------------------|--|-------------------------|-----------------------------------|-------------|
| Cost | | | | | | | |
| Balance at 1 July 2019 | - | - | - | 42,500 | - | - | 42,500 |
| Additions | 670,000 | 530,000 | 28,282 | 226,148 | - | - | 1,454,430 |
| Disposals | - | - | - | - | - | - | - |
| Balance at 30 June 2020 | 670,000 | 530,000 | 28,282 | 268,648 | - | - | 1,496,930 |
| Depreciation | | | | | | | |
| Balance at 1 July 2019 | - | - | - | 719 | - | - | 719 |
| Depreciation for the year | - | 10,128 | 2,162 | 10,088 | - | - | 22,378 |
| Balance at 30 June 2020 | - | 10,128 | 2,162 | 10,807 | - | - | 23,097 |
| Carrying amounts | | | | | | | |
| at 1 July 2020 | - | - | - | 41,781 | - | - | 41,781 |
| at 30 June 2021 | 670,000 | 519,872 | 26,120 | 257,841 | - | - | 1,473,833 |

NOTE 15: INTERESTS IN ASSOCIATE

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

| Name | Principal place of business | Ownership Interest | |
|--|-----------------------------------|--------------------|-----------|
| | | 2021 % | 2020 % |
| Tasmanian Agricultural Producers Pty Ltd | Australia | 28.4% | 28.4% |

On 11 September 2019 ECS Botanics Pty Ltd (ECS) acquired 28.4% of Tasmanian Agricultural Producers Pty Ltd (TAP). A strategic investment in order to handle and process ECS's harvest & expanding supply. The consideration paid for 28.4% interest in the Company was \$750,000.

| | 2021 | 2020 |
|---|-----------|-----------|
| <i>Summarised statement of financial position</i> | | |
| | \$ | \$ |
| Current assets | 276,672 | 3,120,739 |
| Non-current assets | 2,834,897 | 3,783,549 |
| Total assets | 3,111,569 | 6,904,288 |
| Current liabilities | 692,652 | 1,374,582 |
| Non-current liabilities | 600,000 | 3,113,515 |
| Total liabilities | 1,292,652 | 4,488,097 |
| Net assets | 1,818,917 | 2,416,191 |

Notes to the Consolidated Financial Statements

NOTE 15: INTERESTS IN ASSOCIATE CONTINUED

| <i>Summarised statement of profit or loss and other comprehensive income*</i> | 2021 | 2020 |
|---|-------------|--------------|
| | \$ | \$ |
| Revenue | 3,444,236 | 11,747,635 |
| Expenses | (4,017,071) | (12,046,713) |
| Profit/(loss) before income tax | (572,835) | (299,078) |
| Income tax expense | | |
| Profit/(loss) after income tax | (572,835) | (299,078) |
| Other comprehensive income/(loss) | - | - |
| Total comprehensive income/(loss) | (572,835) | (299,078) |

*The summarised statement of profit or loss for 2020 is for the period from the date of acquisition 11 September to 30 June 2020.

| | 2021 | 2020 |
|--|-----------|----------|
| <i>Reconciliation of the consolidated entity's carrying amount</i> | \$ | \$ |
| Opening carrying amount | 665,062 | 750,000 |
| Share of loss after income tax | (162,685) | (84,938) |
| Closing carrying amount | 502,377 | 665,062 |

NOTE 16 TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|-----------------------------|-----------|---------|
| | \$ | \$ |
| Trade Payables | 615,136 | 198,097 |
| Accruals and Other Payables | 413,751 | 84,775 |
| | 1,028,887 | 282,872 |

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group. The amounts are unsecured and are usually payable within 30 days of recognition. Information about the Group's exposure to credit risk is provided in note 22.

NOTE 16a OTHER LIABILITIES

| | 2021 | 2020 |
|-------------------------------|---------|--------|
| | \$ | \$ |
| Consignment held by customers | - | 192 |
| Contract liability | 200,750 | 96,684 |
| | 200,750 | 96,876 |

NOTE 17 PROVISIONS

| | 2021 | 2020 |
|------------------------|---------|--------|
| | \$ | \$ |
| Superannuation payable | 14,836 | 4,274 |
| PAYG Payable | 50,827 | 12,688 |
| Annual leave provision | 94,359 | 33,222 |
| | 160,022 | 50,184 |

Notes to the Consolidated Financial Statements

NOTE 18 LEASE LIABILITY

| | 2021 | 2020 |
|--------------------|---------------|----------|
| | \$ | \$ |
| Current | | |
| Lease liability | 8,740 | - |
| Unexpired interest | (1,599) | - |
| | <u>7,141</u> | <u>-</u> |
| Non-current | | |
| Lease liability | 18,721 | - |
| Unexpired interest | (567) | - |
| | <u>18,154</u> | <u>-</u> |

As part of the acquisition of Murray Meds Pty Ltd, a lease liability was acquired (Note 3). The terms of the lease arrangement, entered into the finance the purchase of a motor vehicle are as follows, 48-month term ending in January 2023 and monthly repayments of \$672.28 at 6.85% p.a.

NOTE 19 ISSUED CAPITAL

| | 2021 | 2020 |
|-----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Issued and paid up Capital | | |
| Ordinary Shares Fully Paid | <u>24,870,764</u> | <u>10,230,396</u> |

| | Date | Issue price | No. of Shares | \$ |
|--|-------------------------|-----------------|--------------------|-------------------|
| Movement in ordinary shares on issue | | | | |
| Balance at the beginning of the year | 1 July 2019 | - | 27,020,000 | 1,855,500 |
| Elimination of ECS Botanics Pty Ltd shares on acquisition | 11 July 2019 | - | (27,020,000) | - |
| Axxis Technology Group Limited shares on issue at acquisition date | 11 July 2019 | - | 47,591,067 | - |
| Consideration shares issued to vendors of ECS | 11 July 2019 | - | 287,500,000 | 1,903,643 |
| Facilitation shares issued to Joint Lead Managers ⁽ⁱ⁾ | 11 July 2019 | \$0.04 | 10,000,000 | 400,000 |
| Public Offer Shares (IPO) | 11 July 2019 | \$0.04 | 162,500,000 | 6,500,000 |
| Capital raising costs | | | - | (428,747) |
| Balance at the end of year | 30 June 2020 | | 507,591,067 | 10,230,396 |
| Balance at the beginning of the year | 1 July 2020 | - | 507,591,067 | 10,230,396 |
| July 2020 share placement | 3 August 2020 | \$0.0175 | 34,285,715 | 600,000 |
| Placement August | 26 August 2020 | 0.0175 | 42,868,423 | 750,197 |
| Incentive shares issued ⁽ⁱⁱ⁾ | 2 November 2020 | 0.0250 | 1,250,000 | 31,250 |
| Placement December | 17 December 2020 | \$0.045 | 88,888,889 | 4,000,000 |
| Acquisition of Murray Meds | 15 March 2021 | \$0.054 | 100,000,000 | 5,400,000 |
| Share placement - Mar 2021 | 24 March 2021 | \$0.050 | 80,000,000 | 4,000,000 |
| Placement of shortfall | 26 April 2021 | \$0.050 | 7,963,241 | 398,162 |
| Incentive shares issued ⁽ⁱⁱⁱ⁾ | 30 June 2021 | \$0.036 | 133,332 | 4,800 |
| Capital raising costs | | | | (544,041) |
| Balance at the end of year | 30 June 2021 | | 862,980,667 | 24,870,764 |

Notes to the Consolidated Financial Statements

NOTE 19 ISSUED CAPITAL CONTINUED

- (i) Value based on \$0.04 share price at date of re-listing.
- (ii) The incentive shares were granted on 19 November 2020 to an employee. The arrangement is deemed a share-based payment. As it cannot be valued based on services, the fair value was determined as the share price on grant date, being the AGM approval on 19 November 2020.
- (iii) The incentive shares were granted on 30 June 2021 to an employee. The arrangement is deemed a share-based payment. As it cannot be valued based on services, the fair value was determined as the share price on grant date, being the 30 June 2021.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

NOTE 20: SHARE BASED PAYMENTS

| | 2021 \$ | 2020 \$ |
|--|------------------|----------------|
| (a) Recognised share-based payment transactions | | |
| Options issued to Directors ⁽ⁱ⁾ | - | 220,574 |
| Shares issued to employees ⁽ⁱⁱ⁾ | 36,050 | - |
| Performance rights vested ⁽ⁱⁱⁱ⁾ | 1,750,000 | - |
| | 1,786,050 | 220,574 |

- (i) On 11 July 2019, the Company issued 20,375,000 options to the Directors, exercisable at \$0.08 on or before 11 January 2022.
- (ii) On 19 November 2020, the Company issued 1,250,000 shares to an employee. The arrangement is deemed a share-based payment. As it cannot be valued based on services, the fair value was determined as the share price on grant date, being the AGM approval on 19 November 2020. On 30 June 2021, the Company issued an additional 133,332 shares to employees. The arrangement is also deemed a share-based payment. As it cannot be valued based on services, the fair value was determined as the share price on grant date, being the 30 June 2021.
- (iii) The milestone for Milestone A performance rights was ECS Botanics Pty Ltd achieving an annual revenue in any financial year of \$1 million within two years of the Company's readmission. As ECS Botanics Pty Ltd's revenue for this year is \$1.04 million, Milestone A has been achieved, and the performance rights have vested. A corresponding movement of \$1,750,000 has been recognized in the share-based payment reserve.

(b) Summary of options granted during the year

No options were granted during the year.

Options as at 30 June 2021.

| Options | Issue Date | Date of Expiry | Exercise Price | Balance at the start of the year | Granted during the year | Exercised during the year | Expired during the year | Balance at the end of the year |
|-----------|------------|----------------|----------------|----------------------------------|-------------------------|---------------------------|-------------------------|--------------------------------|
| Directors | 11/07/2019 | 11/01/2022 | 0.08 | 20,375,000 | - | - | - | 20,375,000 |
| | | | | 20,375,000 | - | - | - | 20,375,000 |

Notes to the Consolidated Financial Statements

NOTE 20: SHARE BASED PAYMENTS CONTINUED

| | 2021 \$ | 2020 \$ |
|--|------------------|----------------|
| (b) Movement in reserves | | |
| 1 July | | |
| Options issued to Directors ⁽ⁱ⁾ | 220,574 | 220,574 |
| Shares issued to employees ⁽ⁱⁱ⁾ | 36,050 | - |
| Performance rights vested ⁽ⁱⁱⁱ⁾ | 1,750,000 | - |
| 30 June | 1,970,574 | 220,574 |

NOTE 21 LOSS PER SHARE

| | 2021 \$ | 2020 \$ |
|---|--------------------|-------------|
| Net loss attributable to ordinary equity holders of the Company | (4,335,572) | (4,569,470) |
| Weighted average number of ordinary shares for basic and diluted loss | 676,353,751 | 507,591,067 |
| Continuing operations | | |
| - Basic and diluted loss per share (cents) | (0.64) | (0.90) |

NOTE 22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Groups activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unprofitability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods included sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

Risk management is carried out by the Board of Directors ('the Board') and includes identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The carrying values of the Company's financial instruments are as follows:

| | 2021 \$ | 2020 \$ |
|------------------------------|--------------------|------------|
| Financial Assets | | |
| Cash and cash equivalents | 4,244,950 | 1,904,014 |
| Trade and other receivables | 640,298 | 846,053 |
| | 4,885,248 | 2,750,067 |
| Financial Liabilities | | |
| Trade and other payables | (1,028,887) | (282,872) |
| Lease liability | (25,295) | - |
| | (1,054,182) | (282,872) |

Notes to the Consolidated Financial Statements

NOTE 22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

(a) Market risk

(i) Foreign exchange risk

The Company is not significantly exposed to foreign currency risk fluctuations.

(ii) Interest rate risk

The Company is not significantly exposed to interest rate risk fluctuations.

(b) Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counterparty, with maximum exposure equal to the carrying amount of the financial assets.

The Company's policy is to trade only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Company except for cash and cash equivalents. ECS cash accounts are held with both Westpac and Commonwealth bank, their credit rating is AA- and AA- respectively by S&P Global.

See note 9 regarding expected credit losses.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Company does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

| | 6 months | 6-12 months | 1-5 years | > 5 years | Total |
|--------------------------|------------------|--------------|---------------|-----------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2021 | | | | | |
| Trade and other payables | 1,028,887 | - | - | - | 1,028,887 |
| Finance lease liability | 3,950 | 3,950 | 17,395 | - | 25,295 |
| | 1,032,837 | 3,950 | 17,395 | - | 1,054,182 |
| 2020 | | | | | |
| Trade and other payables | 282,872 | - | - | - | 282,872 |

(d) Capital risk management

The Company's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

NOTE 22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange ("ASX").

NOTE 23 FAIR VALUE MEASUREMENTS

A number of the Company's accounting policies and disclosure require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

The notional amount of trade and other receivables with a remaining life of less than six months is deemed to reflect the fair value. All other receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Fair value of financial assets and liabilities

AASB 7 *Financial Instruments* requires disclosure of the fair value of financial assets and liabilities categorised by the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Fair value of biological assets

Biological assets are valued using the expected realisable value based on recent medicinal cannabis plant derived sales, less any selling costs.

Unless otherwise stated, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the account accounting policies. The carrying amount of financial assets and financial liabilities are assumed to approximate their fair value due to their short-term nature.

NOTE 24 RELATED PARTY DISCLOSURE

(a) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

| | 2021 \$ | 2020 \$ |
|----------------------|----------------|----------------|
| Short-term benefits | 336,218 | 282,380 |
| Long-term benefits | 28,196 | 23,212 |
| Share based payments | - | 220,574 |
| | 364,414 | 526,166 |

Notes to the Consolidated Financial Statements

NOTE 24 RELATED PARTY DISCLOSURE CONTINUED

(b) Related Party Transactions

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| The following payments occurred with related parties: | | |
| Financial management, Company secretarial and registered office fees paid/payable to Mirador Corporate Pty Ltd ⁽ⁱ⁾ | 132,550 | 197,205 |
| Farm rental payments made to The COY Farm Unit Trust ⁽ⁱⁱ⁾ | - | 16,000 |
| Purchase of COY Farm from The Coy Farm Unit Trust ⁽ⁱⁱ⁾ | - | 1,506,413 |
| Office rental payments made to Australian British Chamber of Commerce ⁽ⁱⁱⁱ⁾ | 28,800 | 19,200 |
| Consulting fees paid to Pharmout ^(iv) | 224,614 | - |
| Payments made to Quiksolve ^(v) | 334 | - |
| Payments made to Maverick Agriculture ^(vi) | 3,666 | - |
| Rental payments made to Schoerie SMFS ^(vii) | 6,806 | - |
| Vesting of milestone A performance rights ^(viii) | 553,757 | - |

(i) An entity in which Jeremy King is a Director of which \$9,775 remains unpaid at 30 June 2021.

(ii) An entity in which Alex Keach has a 20% investment as trustee through Keach & Co Pty Ltd.

(iii) An entity in which David McCredie is a CEO.

(iv) An entity owned by a close family member of Nan Maree Schoerie.

(v) An entity owned by a close family member of Nan Maree Schoerie.

(vi) An entity of which Alex Keach is part owner.

(vii) An entity owned by Nan Maree Schoerie.

(viii) Milestone A performance rights which were granted on 11 July 2019 vested upon ECS achieving an annual revenue of \$1 million this financial year. 13,779,145 performance rights held by Alex Keach vested; a share-based payment expense of \$551,166 was recognised. 64,767 performance rights held by David McCredie vested; a share-based payment expense of \$2,591 was recognised.

Information regarding individual Directors compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Transactions with Associate

During the period ECS Botanics paid \$1,650 (2020: \$880) for services performed and had \$nil payable (2020: \$5,493) to TAP Agrico as at 30 June 2021.

NOTE 25 COMMITMENTS

There are capital commitments of \$96,975 as at 30 June 2021 (2020: nil).

Notes to the Consolidated Financial Statements

NOTE 26 CONTINGENCIES

During the year the Group assessed the probabilities of the contingent consideration being payable with respect to the reverse asset acquisition of ECS Botanics Pty Ltd occurring on 11 July 2019. The following Performance Rights have been recognised as contingent liabilities at year end:

Milestone B Performance Rights

43,750,000 Performance Rights ('Milestone B Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$2.50 million within three years of the Company's readmission.

Milestone C Performance Rights

43,750,000 Performance Rights ('Milestone C Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$10.00 million within four years of the Company's readmission.

Management have applied judgement to whether the achievement of the 2 milestones is possible. While the achievement of the milestones is possible, it is currently not probable and so no value has been ascribed to them and that these will be reassessed at each year end.

Murray Meds & Flowerday Farms Acquisition

As part of the terms of acquisition, ECS Botanics Holdings Limited will also purchase a property within 12 months of its acquisition of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd. The agreed purchase price of the property is \$1,500,000. This amount has been recognised as a contingent liability at year end.

NOTE 27 AUDITOR'S REMUNERATION

Amounts received or due and receivable by BDO (Audit) Pty Ltd for:

Audit and review of the annual and half-year financial report

Other services – BDO Corporate Tax (WA) Pty Ltd

- Income tax return
- Tax consulting

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| Audit and review of the annual and half-year financial report | 70,860 | 60,558 |
| Other services – BDO Corporate Tax (WA) Pty Ltd | | |
| - Income tax return | 12,926 | 5,099 |
| - Tax consulting | 13,725 | - |
| | 97,511 | 65,657 |

NOTE 28 INTERESTS IN SUBSIDIARIES

| | Principal Activities | Country of Incorporation | Ownership interest | |
|---|----------------------|--------------------------|--------------------|-----------|
| | | | 2021 % | 2020 % |
| ECS Botanics Pty Ltd | Hemp retail | Australia | 100 | 100 |
| Tasmanian Cannabinoids Pty Ltd Investment | Agriculture | Australia | 100 | 100 |
| Tasmanian Hemp Pty Ltd Investment | Agriculture | Australia | 100 | 100 |
| Flowerday Farms Pty Ltd* | Agriculture | Australia | 100 | - |
| Murray Meds Pty Ltd* | Agriculture | Australia | 100 | - |

* The companies were acquired on 12 March 2021.

Notes to the Consolidated Financial Statements

NOTE 29 PARENT ENTITY

| | 2021 \$ | 2020 \$ |
|---------------------------------|--------------------|--------------------|
| Assets | | |
| Current assets | 3,997,771 | 1,840,850 |
| Non-current assets | 13,312,217 | 3,351,248 |
| Total assets | 17,309,988 | 5,192,098 |
| Liabilities | | |
| Current liabilities | 220,456 | 87,433 |
| Total liabilities | 220,456 | 87,433 |
| Equity | | |
| Contributed equity | 23,015,264 | 8,374,896 |
| Reserves | 1,970,574 | 220,574 |
| Accumulated losses | (7,896,306) | (3,490,805) |
| Total equity | 17,089,532 | 5,104,665 |
| Loss for the year | (4,405,501) | (3,490,805) |
| Total comprehensive loss | (4,405,501) | (3,490,805) |

NOTE 30 EVENTS AFTER THE REPORTING DATE

The Company entered into a five year agreement with Poland based Alivio Spolka to generate \$4.5m in medical cannabis product sales.

ECS appointed four leading executives in new and existing production and business development positions. Each new appointment will support the Company's growth, business development, and R&D efforts, as well as add leading industry expertise to ECS's best-in-class management team.

ECS secured the distribution of its ECS Botanics 250ml Extra Virgin Tasmanian Hemp Seed Oil product into Coles stores nationwide. Coles is a leading Australian retailer, with over 2,500 stores nationally. The product will be stocked in a number of stores and is expected to be on shelves by October 2021.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. Apart from an inability of key management to travel and some staffing issues during the lockdown period, there have been no major implications for the Company. However due to the uncertain future of the pandemic the Company is mindful of business growth and sales initiatives overseas possibly being affected. Furthermore, where regulators require in person inspections this could affect the Company's operations. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results.

There has been no matter, or circumstance, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Directors' Declaration

In the Directors' opinion:

- a) The financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:
 - i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the entity's financial position as at 30 June 2021 and of its performance for the year ended on that date.
- b) The financial statements and notes comply with International Financial Reporting Standards.
- c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Alex Keach
Managing Director

31 August 2021

INDEPENDENT AUDITOR'S REPORT

To the members of ECS Botanics Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ECS Botanics Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|---|
| <p>As disclosed in Note 3 of the financial report, the Group completed the acquisition of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd on 12 March 2021.</p> <p>This acquisition was accounted for in accordance with <i>AASB 3: Business Combinations</i> and was deemed to be a key audit matter given the acquisition was material to the Group and involved significant judgements made by management, including the estimation of the fair value of assets acquired and liabilities assumed.</p> | <p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> Assessing management's conclusion of the acquisition meeting the definition of a business combination; Reviewing the acquisition agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management; Comparing the assets acquired and liabilities assumed against the executed agreement and the historical financial information of the acquired business; Assessing the appropriateness of the independent expert to which management has engaged to assess the fair value of specified assets acquired as part of the acquisition; Evaluating the assumptions and methodology used in management's determination of the fair value of assets acquired and liabilities assumed; and Assessing the adequacy of the related disclosures in the Financial Report, refer Note 2 and Note 3. |

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of ECS Botanics Holdings Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in dark ink, appearing to read 'J Prue', is written over a faint, larger 'BDO' logo.

Jarrad Prue

Director

Perth, 31 August 2021

Corporate Governance Statement

The Company's Directors are committed to conducting the Company's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) (Recommendations) to the extent appropriate to the size and nature of the Company's operations.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations.

The Company's Corporate Governance Statement and policies can be found on its website:
<https://ecsbotanics.com.au/pages/corporate-governance>

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 24 August 2021.

TWENTY LARGEST SHAREHOLDERS

| | | Number Held | Percentage (%) |
|----|---|-------------|----------------|
| 1 | FLOWERDAY HOLDINGS PTY LTD | 100,000,000 | 11.59 |
| 2 | KEACH SECURITIES AND INVESTMENTS PTY LTD | 90,548,668 | 10.49 |
| 3 | HARBOUR CAPITAL ASSET MANAGEMENT PTY LTD | 75,459,007 | 8.74 |
| 4 | MACQUARIE CROPPING SERVICES PTY LTD | 21,280,533 | 2.47 |
| 5 | MR BERNARD WILLIAM LIVY + MRS DESMA LEA LIVY <D & B LIVY SUPER FUND A/C> | 12,400,000 | 1.44 |
| 6 | RK LIVESTOCK PTY LTD <TALLAGANDRA DISCRETIONARY A/C> | 11,704,293 | 1.36 |
| 7 | ABACUS GLOBAL PTY LTD | 10,640,266 | 1.23 |
| 8 | BIOBAGGA LIMITED | 10,195,801 | 1.18 |
| 9 | XCEL CAPITAL PTY LTD | 8,300,000 | 0.96 |
| 10 | WALLIS-MANCE PTY LIMITED <WALLIS-MANCE FAMILY A/C> | 7,088,253 | 0.82 |
| 11 | MR BENJAMIN JOHN HARINGTON | 7,050,000 | 0.82 |
| 12 | XCEL CAPITAL PTY LTD | 6,915,248 | 0.80 |
| 13 | TAOS PTY LTD <GEILINGS & CO PTY SUPER A/C> | 6,606,144 | 0.77 |
| 14 | MR ANDREW DAVID WALKER | 6,214,895 | 0.72 |
| 15 | KALCON INVESTMENTS PTY LTD | 5,354,939 | 0.62 |
| 16 | MR ROBERT WHITECHURCH + MRS MELINDA WHITECHURCH <R & M WHITECHURCH S/F A/C> | 5,000,000 | 0.58 |
| 16 | MR YI XIAO | 5,000,000 | 0.58 |
| 18 | MRS LUYE LI | 4,832,941 | 0.56 |
| 19 | ABL CONSULTING PTY LTD <ABL CONSULTING S/FUND A/C> | 4,490,000 | 0.52 |
| 20 | MR HAOJIE LI | 4,340,000 | 0.50 |
| | | 403,420,988 | 46.75 |

DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

- 862,980,667 fully paid shares held by 4,204 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding, is:

| Range | Total holders | Units | % of Issued Capital |
|------------------|---------------|--------------------|---------------------|
| 1 - 1,000 | 702 | 155,416 | 0.02 |
| 1,001 - 5,000 | 210 | 499,975 | 0.06 |
| 5,001 - 10,000 | 406 | 3,493,121 | 0.40 |
| 10,001 - 100,000 | 2,019 | 76,919,976 | 8.91 |
| 100,001 Over | 867 | 781,912,179 | 90.61 |
| Total | 4,204 | 862,980,667 | 100 |

(ii) Unlisted Options

- 20,375,000 unquoted options held by 5 individual shareholders with an exercise price of \$0.08 and an expiry date of 11 January 2022.

ASX Additional Information

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

| | Holding Balance | % of Issued Capital |
|--|--------------------|------------------------|
| FLOWERDAY HOLDINGS PTY LTD | 100,000,000 | 11.59 |
| KEACH SECURITIES AND INVESTMENTS PTY LTD | 90,548,668 | 10.49 |
| HARBOUR CAPITAL ASSET MANAGEMENT PTY LTD | 75,459,007 | 8.74 |

RESTRICTED SECURITIES

There are 133,332 fully paid ordinary shares escrowed until 30 June 2023.

There are 50,000,000 fully paid ordinary shares escrowed until 15 June 2022.

There are 50,000,000 fully paid ordinary shares escrowed until 15 June 2023.

UNMARKETABLE PARCELS

There were 1,737 holders of less than a marketable parcel of ordinary shares.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

ACQUISITION OF VOTING SHARES

No issues of securities have been approved for the purposes of Item 7 of Section 611 of the Corporations Act 2001.

TAX STATUS

The Company is treated as a public company for taxation purposes.

FRANKING CREDITS

The Company has no franking credits.

STATEMENT IN ACCORDANCE WITH ASX LISTING RULE 4.10.19

The Company confirms in the period from admission to the official list of the ASX to 22 July 2019, that it used its cash and assets in a form readily convertible to cash, in a manner consistent with its business objectives.