

ECS medicinal cannabis project build advances as regulatory changes improve strategic position

- **ECS site build advances – set to become a major production hub in Australia**
- **Regulatory framework for low THC cannabis relaxed, enabling ECS to scale production significantly more than initial forecasts**
- **Australian regulatory and GMP framework setting expectation for Australia to become world leaders in medicinal cannabis production, manufacture and export**
- **Industry broadening and regulatory environment more accommodating to increase revenue streams and create a more closed loop system**

ECS Botanics Holdings Ltd (ASX:ECS or Company) is pleased to provide shareholders and interested parties with an update on development of its medicinal cannabis facility in Tasmania, as well as recent industry and regulatory advancements.

The build of the Company's medicinal cannabis project has continued, with the main processing shed constructed and the internal fit out commenced, including installation of the vault.

The impending grow season will be utilised to conduct a 'pilot plant' grow and processing run as the facility is completed, before embarking on a major commercial grow next season at a larger scale than first planned. In addition, the Company expects to develop its extraction capability and sign offtake agreements for both THC and CBD in the interim. ECS management looks forward to updating the market on its expanded strategy soon.

In a positive regulatory change for ECS, new guidance from the Office of Drug Control (ODC) indicates the framework for low THC medicinal cannabis (ie. hemp containing CBD) has been downgraded, with the ODC now referring to state hemp licenses for cultivation security requirements.

These changes are a major structural change for the medicinal cannabis industry in Australia, which can only be utilised by companies which hold both ODC medicinal cannabis licenses and state industrial hemp licenses. ECS is one of few companies in the sector that holds both sets of licenses, and the highly regulated nature of the sector means there are significant barriers to entry.

These regulatory changes enable the Australian industry to compete better on a global scale as cost of production reduces significantly. However, Australia has the advantage of a regulatory framework and Good Manufacturing Practice (GMP) which is recognised globally, giving it a major strategic advantage. When overlayed with a highly



On Site – ECS's Director Medicinal Cannabis Production Damian Wood & CEO Alex Keach discussing collaboration with Essential Oils of Tasmania's Chief Executive Officer Simon Wells

favourable Tasmanian climate for industrial scale cultivation of plant-based active pharmaceutical ingredient (API) raw materials, it places Tasmania and ECS in a unique and advantageous position.

Pending feedback from relevant bodies, these changes may allow ECS to work toward having a cannabis production system that uses more of the plant, providing additional revenue opportunities and reducing wastage.

Much like the ECS food business, where the Company is selling secondary hemp products produced during the manufacturing process, ECS management is investigating the commercial opportunities to do the same with medicinal crops. This may include supply secondary materials such as terpenes, waxes, hurd and fibre. With the industry growing in Tasmania and accounting for approximately 80% of Australia's hemp production, naturally the state is leading this broadening and expanding industry.

ECS cultivation practices of API raw materials, will be compliant with the World Health Organisation (WHO) Guidelines on Good Agricultural and Collection Practices (GACP) for Medicinal Plants.

The capabilities for cultivation, production and supply will be built on a solid quality framework, aligned with *ISO 9001:2015 Quality Management Systems*; *ICH Q10 Pharmaceutical Quality System*; and *PIC/S PE009-14 GMP Guide*. Regulatory compliance with these frameworks is crucial for the EU GMP (European Union Good Manufacturing Practices).

ECS is investigating carbon abatement and other revenue generating opportunities with respect to full plant utilisation, reducing wastage and effectively closing the loop.



Recent images from ECS medicinal cannabis facility in Northern Tasmania

ECS Botanics Managing Director Alex Keach commented: *“These are the common sense regulatory changes we positioned the business for two years ago, and now it is exciting that the regulatory environment and opportunity is coming down the pipe to meet ECS’s long stated business plan. These changes will enable ECS to scale production well beyond our initial forecasts and operate in a fashion similar to the Tasmanian poppy industry. It also allows us to reduce capex and drive down the cost per gram, an outcome which is good for patients and ECS to build market share in Australia and via export, especially via our first mover advantage. As previously stated, our business was not accepting the status quo, we are skating to where the industry is headed, and from our base in Tasmania we aim to become a formidable force in the global cannabis market.”*

About ECS Botanics

ECS Botanics is an industrial hemp and medicinal cannabis business, cultivating (own and contract growers) and processing hemp for the wholesale market and its own retail food brand. The company’s main operations are conducted in Tasmania, Australia. ECS has the necessary licences to cultivate, supply and manufacture industrial hemp in Tasmania as well as a grower licence in Queensland. ECS holds import and export licences with the Office of Drug Control (ODC) as well as having been granted licences for the cultivation and manufacture of medicinal cannabis. ECS owns a farm in Tasmania for commercial cultivation of hemp, research and as the site of its next generation approach to medicinal cannabis, which is currently under construction. ECS owns a strategic stake in TapAgrico for the logistics, drying and storage of hemp seed.

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