

ASX APPENDIX 4D

ECS BOTANICS HOLDINGS LIMITED

ABN 98 009 805 298

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

(Previous corresponding period is the period ended 31 December 2019)

KEY INFORMATION	31-Dec-20	31-Dec-19	% Change
	\$	\$	
Revenue from ordinary activities	586,622	254,681	130%
Loss from ordinary activities after tax attributable to members	(3,041,913)	(3,930,546)	(23%)
Net loss attributable to members	(3,041,913)	(3,930,546)	(23%)

DIVIDEND INFORMATION

No dividend has been proposed or declared.

NET TANGIBLE ASSETS PER SECURITY	31-Dec-20	31-Dec-19
	\$	\$
Net tangible assets per security	0.01	0.01

EARNINGS PER SHARE	31-Dec-20	31-Dec-19
	\$	\$
Basic earnings per share	(\$0.0053)	(\$0.0081)
Diluted earnings per share	(\$0.0053)	(\$0.0081)

CONTROL GAINED OR LOST OVER ENTITIES IN THE PERIOD

There has been no gain of control or loss of control over entities in the period ended 31 December 2020.

Refer to the Directors Report for an explanation of the operational and financial results of the Company.

This report is based on, and should be read in conjunction with, the attached financial report for the half-year ended 31 December 2020 for ECS Botanics Holdings Limited, which has been audited by BDO Audit (WA) Pty Ltd.

The half-year report is to be read in conjunction with the 30 June 2020 Annual Report.



ABN 98 009 805 298

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2020**

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DIRECTORS' REPORT

The Directors of ECS Botanics Holdings Limited ("ECS" or "the Company") present their report, together with the financial statements, on the Company for the half-year ended 31 December 2020.

It is recommended that the Directors' Report be read in conjunction with any public announcement made by the Company during the period and up to the date of this report.

DIRECTORS

The names and details of the Directors in office during the half year and until the date of this report are set out below.

Director	Position	Date of Appointment
Mr Alexander Keach	Managing Director	Appointed 11 July 2019
Mr David McCredie	Non-Executive Chairman	Appointed 11 July 2019
Mr Michael Nitsche	Non-Executive Director	Appointed 26 March 2019
Mr Jeremy King	Non-Executive Director	Appointed 11 January 2017

COMPANY SECRETARY

Mr Mauro Piccini

PRINCIPAL ACTIVITIES

ECS Botanics is a medicinal cannabis and industrial hemp 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 as well as being the site of its next generation approach to medicinal cannabis. ECS owns a strategic stake in TapAgrico for the logistics, drying and storage of hemp seed.

REVIEW OF OPERATIONS AND ACTIVITIES

Medicinal cannabis

The Company is executing on its medicinal cannabis development strategy, building a large processing facility in northern Tasmania to accommodate a major scaling in production and setting up the propagation and cultivation. Subject to future regulatory change and capital expenditure, ECS management expects the new facility to become a major extraction and tolling operation for the cannabis industry in Tasmania. Among its capabilities will be the production of extracts and isolates.

During the period, work continued on the ECS medicinal cannabis facility, which is set to become a major production hub in Australia. The main processing shed has been constructed, the internal fit-out has advanced while additional plumbing and connections are being installed in preparation for the arrival of the company's CO2 extraction unit.

ECS will use the current grow season to conduct a 'pilot plant' grow and processing run as the facility is completed, before embarking on a major commercial grow in 2021.

Stage 1 of the project has a CBD focus and is forecast to produce between 1,313 to 2,188kg of dry flower. Under Stage 2 and 3, the growing area would expand from 25,000 square metres to 325,000, with a total production range of 19,500 to 32,500kg of dry flower annually.

DIRECTORS' REPORT

REVIEW OF OPERATIONS AND ACTIVITIES (CONTINUED)

The Stage 1 capital expenditure is fully funded following a Placement and Share Purchase Plan (SPP), discussed below.

In December, ECS signed a binding equipment technology transfer and medicinal cannabis supply Term Sheet with MediPharm Labs Australia Pty Ltd, a subsidiary of global leader in pharma-quality, cannabinoid-based products MediPharm Labs Inc.

Positive regulatory changes will enable ECS to scale production significantly more than initially forecasted, with guidance from the Office of Drug Control (ODC) indicating the framework for low THC medicinal cannabis (hemp containing CBD) has been downgraded, now referring to state hemp licences for cultivation security requirements. These changes enable the Australian industry to better compete on a global scale with the cost of production being significantly reduced.

The Therapeutic Goods Administration (TGA) announced its final decision to down schedule CBD preparations from Schedule 4 (prescription medicine) to Schedule 3 (Pharmacist only medicine), and increased the maximum proposed daily dose from 60 to 150 mg per day. The decision will support both the awareness and demand for CBD in Australia and is a major vote for its safety.

The United Nations Commission on Narcotic Drugs also accepted a World Health Organisation recommendation to remove the classification of cannabis alongside highly addictive opioids like heroin, another major advancement in the perception of cannabis around the globe, further enabling nations to more easily establish medicinal cannabis frameworks.

Industrial Hemp

ECS's industrial hemp business grew during the period, driven by a combination of sales of soup into Woolworths, online sales and wholesale hemp seed oil sales.

Work on the Company's hemp seed farming continued, with two successful harvests. The Company holds an inventory of approximately 70,000 kilograms of hemp seed for processing, use in its own retail food brand and sales through the wholesale market.

The Company completed two successful genetic imports and secured the exclusive Australian and New Zealand agency for the global seed supplier Sensible Seeds. Sensible Seeds has been a specialist supplier of cannabis seed since 1999 and is the world's largest online seed retailer. Sensible Seeds stocks nearly 3,000 quality cannabis seed strains sourced from more than 160 of the best cannabis seed banks and breeders from around the world. ECS now has the ability to leverage its import expertise with a renowned supplier to provide itself and the Australian market with quality genetics.

ECS's hemp seed oil and hemp soups continue to be sold in Woolworths. The Company developed a new soup variety in conjunction with Flavour Makers and it has been accepted by Woolworths with manufacturing commencing in February 2021. The Company also developed a hemp seed oil capsule (with turmeric), which will feature alongside its existing hemp seed oil capsules. These capsules will be produced specifically for online sales.

The Australian pet industry is beginning to increase its demand for hemp, as a result ECS saw increased demand for its hemp seed oil and seconds – by-products from the processing and manufacturing of hemp seed oil and hearts.

Due to increased grower yields, ECS is transitioning to paying growers less for harvested seed which is set to benefit margins and in time will likely reduce the volumes of imported hemp and thus increasing the demand for Tasmanian grown material.

DIRECTORS' REPORT

CORPORATE

Capital Raising

ECS received strong support from both retail and sophisticated and professional investors with a Placement announced in July that raised \$600,000 and SPP that raised \$750,000. Funds helped to commercialise and accelerate its retail and wholesale hemp food business, develop new products, accelerate its medicinal cannabis strategy and provide working capital to support the growth of the Company.

In December, ECS announced a placement of ~88.8 million shares at an issue price of 4.5c per share to sophisticated and professional investors to raise \$4 million (before costs). The Placement strengthened the Company's balance sheet and enabled it to advance development of its medicinal cannabis facility in Tasmania through to completion.

The Company held a cash balance of \$4.4 million as at 31 December 2020.

FINANCIAL RESULTS

The financial results of the Company for the half year ended 31 December 2020 are:

	31-Dec-20	30-Jun-20
Cash and cash equivalents (\$)	4,429,589	1,904,014
Net assets (\$)	8,826,229	5,034,736

	31-Dec-20	31-Dec-19
Net loss after tax (\$)	(3,041,913)	(3,930,546)
Earnings/(Loss) per share (\$)	(\$0.0053)	(\$0.0081)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company that occurred during the reporting period not otherwise disclosed in this report or the financial statements.

EVENTS OCCURRING AFTER REPORTING DATE

Subsequent to the end of the period, ECS signed a binding Term Sheet with Flowerday Holdings Pty Ltd to acquire 100% of the issued capital in Murray Meds Pty Ltd and Flowerday Farms Pty Ltd.

Murray Meds has a fully licensed medicinal cannabis cultivation and manufacturing facility 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 manufacture licence for dried flower, oils and tinctures.

In this growing season, Murray Meds harvested and packed 350kg of medicinal cannabis dried flower.

Experienced medicinal cannabis industry figure Nan-Maree Schoerie will become an Executive Director of ECS as part of the acquisition.

Key terms for the acquisition include:

- (i) at Completion, ECS to pay AUD\$1 million;
 - (ii) at Completion, issue 100 million fully paid ordinary shares (at a deemed issue price of \$0.05 per share) which will be issued subject to ECS obtaining shareholder approval pursuant to Listing Rule 7.1;
- and

DIRECTORS' REPORT

EVENTS OCCURRING AFTER REPORTING DATE (CONTINUED)

(iii) no later than 12 months from Completion, ECS to pay AUD\$1.5 million (subject to completion of the associated property purchase within this period).

The shareholder approval is scheduled to be concluded on 3 March 2021. If all other conditions precedent are met, this is the expected date of acquisition.

There has been no other matter, or circumstance, that has arisen since the half-year ended 31 December 2020, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 31 December 2020.

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



Alexander Keach
Managing Director

22 February 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ECS BOTANICS HOLDINGS LTD

As lead auditor for the review of ECS Botanics Holdings Ltd for the half-year ended 31 December 2020, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 22 February 2021

ECS BOTANICS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31-Dec-20 \$	31-Dec-19 \$
Revenue	3	586,622	254,681
Cost of goods sold		(577,976)	(247,781)
Depreciation and amortisation		(16,334)	(4,124)
Marketing expenses		(117,313)	(50,062)
Occupancy expenses		(16,745)	(7,186)
Administration		(87,520)	(180,906)
Director fees		(55,710)	(56,903)
Professional fees		(106,990)	(109,103)
Legal fees		(11,576)	(48,708)
Consulting and corporate advisory fees		(109,189)	(264,484)
Compliance and regulatory expenses		(107,235)	(136,727)
Research and development costs		(17,739)	-
Wages and superannuation		(427,518)	(290,471)
Listing fees	4	-	(2,431,489)
Share-based payment expense	5	(1,781,250)	(220,574)
Share of losses of Tasmanian Agricultural Producers Pty Ltd	8	(125,222)	(136,710)
Inventory write-off		(63,015)	-
Fair-Value gain/(loss) on biological assets		(7,203)	-
Loss before income tax for the period		(3,041,913)	(3,930,546)
Income tax expense		-	-
Loss after income tax for the period		(3,041,913)	(3,930,546)
Total comprehensive loss for the period attributable to members of ECS Botanics Holdings Limited		(3,041,913)	(3,930,546)
Loss per share for the period attributable to the members of ECS Botanics Holdings Limited:			
Basic and diluted loss per share (\$)	7	(\$0.0053)	(\$0.0081)

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

ECS BOTANICS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	31-Dec-20 \$	30-Jun-20 \$
ASSETS			
Current Assets			
Cash and cash equivalents		4,429,589	1,904,014
Trade and other receivables		975,035	848,153
Inventories		485,064	575,710
Total Current Assets		5,889,688	3,327,877
Non-Current Assets			
Plant and equipment	6	2,684,245	1,473,833
Investments accounted for using the equity method	8	539,840	665,062
Total Non-Current Assets		3,224,085	2,138,895
TOTAL ASSETS		9,113,773	5,466,772
LIABILITIES			
Current Liabilities			
Trade and other payables		215,649	282,872
Borrowings		1,461	2,104
Provisions		70,434	50,184
Other liabilities		-	96,876
Total Current Liabilities		287,544	432,036
TOTAL LIABILITIES		287,544	432,036
NET ASSETS		8,826,229	5,034,736
EQUITY			
Issued capital	9	15,313,802	10,230,396
Reserves	5	1,970,574	220,574
Accumulated losses		(8,458,147)	(5,416,234)
TOTAL EQUITY		8,826,229	5,034,736

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

ECS BOTANICS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
At 1 July 2020	10,230,396	220,574	(5,416,234)	5,034,736
Loss for the period	-	-	(3,041,913)	(3,041,913)
Total comprehensive income/(loss) for the period after tax	-	-	(3,041,913)	(3,041,913)
Placement (net of costs)	5,052,156	-	-	5,052,156
Incentive shares	31,250	-	-	31,250
Vesting of performance rights	-	1,750,000	-	1,750,000
Balance at 31 December 2020	15,313,802	1,970,574	(8,458,147)	8,826,229
At 1 July 2019	1,855,500	-	(846,764)	1,008,736
Loss for the period	-	-	(3,930,546)	(3,930,546)
Total comprehensive income/(loss) for the period after tax	-	-	(3,930,546)	(3,930,546)
Initial public offering (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
Balance at 31 December 2019	10,230,396	220,574	(4,777,310)	5,673,660

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

ECS BOTANICS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31-Dec-20	31-Dec-19
		\$	\$
Cash flows used in operating activities			
Receipts from customers		830,749	74,305
Payment to suppliers and employees		(2,131,145)	(1,913,395)
Interest received		561	4,180
Net cash flows used in operating activities		(1,299,835)	(1,834,910)
Cash flows from investing activities			
Loan repayment		-	7,230
Payments for property, plant and equipment	6	(38,088)	(9,753)
Payments for land & buildings	6	(1,188,658)	(1,444,677)
Payments for investments		-	(750,000)
Net cash flows used in investing activities		(1,226,746)	(2,197,200)
Cash flows from financing activities			
Proceeds from the issue of shares (net of costs)		5,052,156	6,071,253
Net cash flows provided by financing activities		5,052,156	6,071,253
Net increase/(decrease) in cash and cash equivalents		2,525,575	2,039,143
Cash and cash equivalents at the beginning of the period		1,904,014	962,808
Cash and cash equivalents at the end of the period		4,429,589	3,001,951

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

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. ECS Botanics Holdings Limited (“the Company”) is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2020 annual financial report for the financial year ended 30 June 2020.

This interim financial report is intended to provide users with an update on the latest annual financial statements of ECS Botanics Holdings Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2020, together with any public announcements made during the following half-year.

New and amended Accounting Standards that are effective for the current period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company are:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 2: OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report in the same information that is viewed by the Directors.

The Company's board receives segment information across one reportable business segment being agricultural. The Company's wholesale revenue is largely contributed to by one customer.

NOTE 3: REVENUE

The following other income items are relevant in explaining the financial performance for the interim period:

	31-Dec-20	31-Dec-19
	\$	\$
(a) Revenue		
Retail sales*	21,635	17,884
Wholesale sales*	472,013	232,617
Rental income	6,821	-
Other income	85,592	-
Interest received	561	4,180
	<u>586,622</u>	<u>254,681</u>

*All revenue is recognised at a point in time.

NOTE 4: LISTING FEES

	31-Dec-20	31-Dec-19
	\$	\$
Listing expense on reverse acquisition of ECS Botanics Pty Limited	-	2,161,570
Facilitation shares issued	-	400,000
Less loss carried over from Axxis Technology	-	(130,081)
	<u>-</u>	<u>2,431,489</u>

NOTE 5: SHARE BASED PAYMENT EXPENSE

	31-Dec-20	31-Dec-19
	\$	\$
Shares issued*	31,250	-
Options issued	-	220,574
Performance rights**	1,750,000	-
	<u>1,781,250</u>	<u>220,574</u>

*Refer to note 9 for further information.

** At the end of this reporting period, management have assessed that the achievement of the performance rights milestones is probable. The rights have a fair value of \$0.04, being the same value as the deemed price of shares which were issued at the same time. Refer to note 10 for further information in relation to the performance rights. A corresponding movement of \$1,750,000 has been recognized in the share-based payment reserve.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Other farm assets	Property plant and equipment	Construction in progress	Total
	\$	\$	\$	\$	\$	\$
Cost or fair value						
Balance at 1 July 2020	670,000	530,000	28,282	268,648	-	1,496,930
Additions	-	-	-	38,088	1,188,658	1,226,746
Disposals	-	-	-	-	-	-
Balance at 31 December 2020	670,000	530,000	28,282	306,736	1,188,658	2,723,676
Depreciation						
Balance at 1 July 2020	-	10,128	2,162	10,807	-	23,097
Depreciation for the year	-	6,607	1,410	8,316	-	16,334
Balance at 31 December 2020	-	16,735	3,572	19,123	-	39,431
Carrying amounts						
at 31 December 2020	670,000	513,265	24,710	287,613	1,188,658	2,684,245
at 30 June 2020	670,000	519,872	26,120	257,841	-	1,473,833
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 2019	-	-	-	41,781	-	41,781
at 30 June 2020	670,000	519,872	26,120	257,841	-	1,473,833

During the period, the Company commenced with the development of an outdoor medicinal cannabis project (Medicinal Cannabis Project) at its wholly owned site in northern Tasmania.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 7: EARNINGS PER SHARE

	31-Dec-20 \$	31-Dec-19 \$
Loss after income tax attributable to owners of ECS Botanics Holdings Limited	(3,041,913)	(3,930,546)
Weighted average number of ordinary shares used in calculated basic earnings per share	573,924,223	480,091,067
Basic earnings/(loss) per share (\$)	(\$0.0053)	(\$0.0081)

NOTE 8: 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	Principle place of business	Ownership Interest	
		31-Dec-20 %	30 Jun-20 %
Tasmanian Agricultural Producers Pty Ltd	Australia	28.4%	28.4%

	31-Dec-20 \$	30-Jun-20 \$
<i>Reconciliation of the consolidated entity's carrying amount</i>		
Opening carrying amount	665,062	750,000
Share of loss after income tax	(125,222)	(84,938)
Closing carrying amount	539,840	665,062

NOTE 9: ISSUED CAPITAL

	31-Dec-20 \$	30 Jun-20 \$
Issued and paid up Capital		
Ordinary Shares Fully Paid	15,313,802	10,230,396

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 9: ISSUED CAPITAL (CONTINUED)

Movement in ordinary shares on issue	Date	Issue price	Number of shares	\$
Balance at the beginning of the period	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	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 end of period	30 June 2020	-	507,591,067	10,230,396
Placement (net of costs)	27 July 2020	\$0.0175	34,285,715	600,000
Placement (net of costs)	26 August 2020	\$0.0175	42,868,423	714,198
Incentive shares issued*	19 November 2020	\$0.0252	1,250,000	31,250
Placement (net of costs)	17 December 2020	\$0.045	88,888,889	3,737,958
Balance at the end of period	31 December 2020	-	674,884,094	15,313,802

*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.

NOTE 10: COMMITMENTS & CONTINGENCIES

During the period the Company assessed the probabilities of the contingent consideration being payable with respect to the reverse asset acquisition of ECS Botanics Pty Ltd which occurred 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 achieving an annual revenue in any financial year of \$1.00 million within two years of the Company's readmission.

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.

Management have applied judgement to whether the achievement of the milestones is possible and have assessed at the end of this reporting period that the achievement of milestone A is probable. As such, a share-based payments expense has been recognised in relation to these performance rights this period (note 5). 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 these will be reassessed at each period end.

The Company also has agreements in place with a contract grower, the commitment is realised once the crops have met the standards and quality of the ECS Botanics Pty Ltd.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 11: RELATED PARTIES	31-Dec-20 \$	31-Dec-19 \$
The following transactions occurred with related parties:		
ARQ Capital Pty Ltd ⁽ⁱ⁾	18,000	18,000
Bushwood Nominees Pty Ltd ⁽ⁱⁱ⁾	18,000	18,000
Stedwell Corporate Pty Ltd ⁽ⁱⁱⁱ⁾	-	700
COY Farm ^(iv)	-	304,482
Australian British Chamber of Commerce ^(v)	14,400	4,800
Mirador Corporate Pty Ltd ^(vi)	73,900	122,915
The D & S McCredie Family Trust ^(vii)	19,710	17,638
	144,010	486,535

- (i) ARQ Capital Pty Ltd was paid for Director fees, of which Michael Nitsche is a director.
- (ii) Bushwood Nominees Pty Ltd was paid for Director fees, of which Jeremy King is a director.
- (iii) Stedwell Corporate Pty Ltd, was paid for Director Fees, of which Justyn Stedwell is a director. Mr Stedwell resigned 15 July 2019.
- (iv) In the previous period, Coy Farm, was paid for the lease and purchase of the farm, of which Alex Keach has a 20% investment.
- (v) Australian British Chamber of Commerce was paid for office rental fees, of which David McCredie is a director.
- (vi) Mirador Corporate Pty Ltd was paid for company secretarial and financial management services to the Company, of which Jeremy King is a director.
- (vii) The D & S McCredie Family Trust was paid for Director fees, of which David McCredie is a director.

No share-based payments were made to directors during the period.

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 12: EVENTS AFTER THE END OF THE INTERIM PERIOD

On 12 January 2021, the Company announced it has signed a binding Term Sheet (“Term Sheet”) with Flowerday Holdings Pty Ltd (“Flowerday Holdings”) whereby ECS shall acquire:

- 100% of the issued capital in Murray Meds Pty Ltd (“Murray Meds” or “MM”); and
- 100% of the issued share capital in Flowerday Farms Pty Ltd (“FDF”).

As part of the transaction, ECS has also agreed to purchase the Flowerday Land Property (“FDL”) (and associated FDL Water Rights) (“FDL Property Purchase”).

The key material terms of the Term Sheet are as follows:

- (a) In consideration for the acquisition of 100% of the issued capital in MM and FDF and the FDL Property Purchase, ECS will:
 - (i) at Completion, pay AUD\$1 million;
 - (ii) at Completion, issue 100 million fully paid ordinary shares (at a deemed issue price of \$0.05 per share) which will be issued subject to ECS obtaining shareholder approval pursuant to Listing Rule 7.1; and
 - (iii) no later than 12 months from Completion, pay AUD\$1.5 million (subject to completion of the FDL Property Purchase within this period).
- (b) The Consideration Shares will be escrowed from Completion on the following basis: 50% for 12 months and 50% for 24 months.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 12: EVENTS AFTER THE END OF THE INTERIM PERIOD (CONTINUED)

- (c) The material conditions precedent to Completion of the acquisitions in the Term Sheet are:
- (i) ECS being satisfied with the outcome of its due diligence investigations;
 - (ii) MM and FDF having liabilities at Completion of less than \$100k;
 - (iii) ECS obtaining all necessary shareholder and regulatory approvals; and
 - (iv) ECS and the Vendors obtaining all necessary third party consents.
- (d) At Completion, Nan-Maree Schoerie (unrelated party) will be appointed to the ECS Board as an Executive Director.
- (e) The Term Sheet otherwise contains such terms, warranties and obligations that are customary for an agreement of this nature.

The shareholder approval is scheduled to be concluded on 2 March 2021. If all other conditions precedent are met, this is the expected date of acquisition.

There has been no other matter, or circumstance, that has arisen since the half-year ended 31 December 2020, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

ECS BOTANICS HOLDINGS LIMITED

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

In accordance with a resolution of the directors of ECS Botanics Holdings Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 18 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Alexander Keach
Managing Director

22 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ECS Botanics Holdings Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of ECS Botanics Holdings Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 22 February 2021