

**ASX ANNOUNCEMENT**  
**ECS Botanics Holdings Ltd (ASX:ECS)**  
**28 July 2021**



**June 2021 Quarterly Activities Report**

- Receipts from customers of \$623,000 - highlights a significant increase on previous quarter (Q3: \$183,000) with growth supported by Murray Meds acquisition
- Total medicinal cannabis purchase orders during the quarter totalled \$800,000 - \$290,000 were received in sales receipts with additional \$510,000 to be collected in the following quarter
- Distribution agreements secured with Cronos Australia, Global by Nature, Renner Health and Complete Health Products for innovative terpene blend product range
- Premium dried flower cultivation capacity to triple with an additional 2000m<sup>2</sup> – further protective cropping enclosures under construction
- GMP licence extension to include packing dried flower products
- Appointment of four industry leaders to further support growth
- Medicinal cannabis sales now forecasted to reach \$2m by the end of CY2021
- First sales into hemp pet product market secured subsequent to the end of the quarter through agreement with Provex valued at \$110,000
- Post quarter end, five year agreement with Alivio Spolka received to generate \$4.5m in medical cannabis product sales

ECS Botanics Holdings Ltd (ASX: ECS) (“ECS” or the “Company”), a vertically integrated medicinal cannabis and industrial hemp business, is pleased to provide the following update on the Company’s activities for the period ended 30 June 2021 (the “quarter”).

**Operational overview:**

The launch and distribution of a range of specifically formulated ‘CB1 and CB2 terpene blends in Tasmania Cannabis Sativa seed oil’ under ECS’s wellness brand occurred during the quarter. ECS secured a non-exclusive supply agreement with Cronos Australia (ASX:CAU, ‘CA’), allowing CA to resell the product range to customers directly or via distributors.

The Company also received notification from a number of other partners and distributors intending to stock or distribute the range of terpene blends. These included east coast supplement, therapeutics and health products distributor Global by Nature, WA-based distribution company Renner Health Products and Queensland focused organic product distributor Complete Health Products.

To meet the growing patient demand for premium dried flower, ECS expanded operations at its Victorian cultivation facility. Construction is now underway for an additional 2,000m<sup>2</sup> of protective cropping enclosures, which will add to the existing 1000m<sup>2</sup> capacity. Work is progressing and these enclosures are expected to be ready for harvest in October 2021.

ECS’s Victorian facility completed its first commercial harvest during the quarter, with products including medicinal cannabis premium dried flower, biomass, and oils, all manufactured from cannabis cultivated at the facility. The increased capacity allows ECS the flexibility to support its customer base, by cultivating



specific strains under contract. To fulfil the increased customer demand for dried flower, ECS extended its Good Manufacturing Practice (GMP) license and has also upgraded the processing facility to include pharmaceutical grade cleanrooms for packaging dried flower.

Subsequent to the end of the period, ECS secured a purchase order, valued at \$110,000 from animal health and hemp product supplier, Provex Australia (“Provex”). This marks the Company’s first major purchase order into the animal health market, which has the potential to become another lucrative vertical.

ECS has also entered into a five year agreement with Polish company Alivio Spolka ZO.O (“Alivio Spolka”) for the supply of medicinal cannabis products, which will generate a minimum of \$4.5m in revenue for the Company. Under the agreement and through ECS’s Murray Meds licence, the Company will supply Alivio Spolka with a minimum of \$0.9m of GMP manufactured medicinal cannabis products per annum. This agreement provides consistent sales revenue for the Company and highlights the growing local and international demand for ECS’s leading products.

#### **New appointments:**

Subsequent to the end of the quarter, 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.

New appointments include Nikita Soukhov as Farm Manager (Victoria), Angela Macquire as General Manager Operations, Michael Clark as Head of European Operations and Blaise Bratter as Business Development Manager Oceania.

Each individual is highly skilled in their specific area of expertise and further diversify ECS’s executive management team.

#### **Financial overview:**

Receipts from customers were \$623,000, this marks a significant increase on the previous quarter (Q3 FY2021: \$183,000). Revenue during the quarter totalled \$403,000 (Q3 FY2021: \$371,000), of which \$201,000 was attributable to Murray Meds.

In addition, the Company received medicinal cannabis purchase orders to the value of \$800,000 during the quarter. These related to the Murray Meds medicinal cannabis business acquired by ECS in January 2021, highlighting the successful implementation of the Company’s growth strategy of becoming a globally recognised large scale, low-cost cultivator and manufacturer of medicinal cannabis. Of these orders, \$290,000 were received in sales receipts during the current quarter, with the remaining \$510,000 expected to be received during the following quarter.



**Commentary:**

**Managing Director, Alex Keach said:** “ECS ends FY2021 strongly and is set to carry forward the momentum achieved this quarter onwards into the new fiscal year. Our food and wellness division is transitioning to higher value hemp products, while our wholesale division continues to win new customers across verticals and achieve pleasing sales growth.

*“We have further strengthened and diversified our best-in-class management team with four exceptional individuals and we are already seeing results. Each brings extensive industry experience and will be invaluable in the Company achieving its growth objectives.*

*“Sales performance from our Victorian facility is very encouraging and our B2B medicinal cannabis strategy is resonating well with our growing customer list. This will enable ECS to capture a greater share of the Australian and overseas market.*

*“ECS continues to grow and our customer centric focus and ability to execute quickly has not wavered. We are now amongst an elite group of companies that hold numerous Office of Drug Control and TGA Manufacturing licences, we have the highest medicinal cannabis cultivation capacity in Australia and the lowest production cost. We intend to leverage our production capacity and pharmaceutical expertise to capture a significant market share in Australia and Europe.”*



**Images:** Premium cannabis flower at ECS’ Victorian facility



**Image:** Manufacturing operations at ECS' Victorian facility



As required pursuant to the ASX Listing Rules, the table below illustrates the expenditure comparison against the 'Use of Funds Table' in the Company's IPO Prospectus dated 10 May 2019:

Use of Funds	Maximum Subscription (\$) (\$6.5m) Raised	Actual amount spent (\$) in the quarter ended 30 June 2021	Total Actual amount spent (\$) to date
Purchase hemp from farmer	1,050,000	117,520	773,293
Processing and Manufacturing	925,000	315,701	1,709,839
Business development and marketing	250,000	39,000	380,129
Farming costs, leasing and commercial farming trials	210,000	114,487	226,509
Seeds – general planting stock	120,000	-	141,207
Infrastructure and storage investment (including purchase of leased property in the event of Maximum Subscription)	1,500,000	1,267,000	5,086,893
Medical cannabis (feasibility study & consulting)	100,000	119,812	217,037
Administration Costs	1,450,000	937,404	3,459,551

The following table sets out the information as required by ASX Listing Rule 4.7C.3 regarding payments to related parties of the entity and their associates:

Payments to Related Parties & their Associates	Total Amount
Director Fees and Superannuation	\$120,210
Rental Office Payments	\$7,920
Company Secretarial, Registered Office and Financial Management Services	\$43,010
Consulting Fees & Other Services	\$237,513

-ENDS-

### About ECS Botanic Holdings Ltd

*ECS Botanic Holdings Ltd 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.*

For further information, please contact:  
 Alexander Keach, Managing Director  
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Authorised on behalf of ECS by Alex Keach, Managing Director

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

ECS Botanics Holdings Limited

**ABN**

98 009 805 298

**Quarter ended ("current quarter")**

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	623	1,475
1.2 Payments for		
(a) research and development	(15)	(32)
(b) product manufacturing and operating costs	(668)	(1,403)
(c) advertising and marketing	(39)	(200)
(d) leased assets	-	-
(e) staff costs	(514)	(1,238)
(f) administration and corporate costs	(423)	(928)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	40	182
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(996)</b>	<b>(2,145)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(956)
(c) property, plant and equipment	(1,267)	(3,571)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	(200)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1,267)</b>	<b>(4,727)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	398	9,748
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(560)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>398</b>	<b>9,188</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	6,080	1,899
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(996)	(2,145)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,267)	(4,727)

Appendix 4C  
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	398	9,188
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,215</b>	<b>4,215</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,215	6,080
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,215</b>	<b>6,080</b>

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(409)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		
6.1	Director and consulting fees paid to Directors and/or Director related entities	\$357,723
	Financial management and Company secretary fee paid to Director related entity	\$43,010
	Office rent paid to Director related entity	\$7,920



## Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	-	-
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/A		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(996)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,215
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,215
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2021

Authorised by: The Board of ECS Botanics Holdings Limited  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.