

ASX ANNOUNCEMENT

ECS Botanics Holdings Ltd (ASX:ECS)

30 November 2021



ECS secures \$4.9m medicinal cannabis resin supply agreement with Cannvalate

- Binding agreement signed for supply of medicinal cannabis resin to Cannvalate Pty Ltd
- Subsidiary company ECS Botanics MC Pty Ltd will supply Cannvalate with a minimum of \$4,906,000 in GMP manufactured medicinal cannabis resin
- Supply will commence within the next twelve months and continue for a further three years following commissioning of extraction equipment at ECS' supply and tolling partners (Sun Pharmaceuticals Australia Pty Ltd) facility
- Commissioning at partner facility expected to complete in early 2023
- TGA expected to enforce stricter quality standards on imported medicinal cannabis products in March 2022, highly supportive of local industry demand
- Cannvalate will use resin to service relationship with The Valens Company Inc (TSX: VLNS), a global leader in manufacturing cannabinoid-based products

ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company") is pleased to announce that its subsidiary company ECS Botanics MC Pty Ltd has secured a binding agreement to supply resin to Australian cannabis company, Cannvalate Pty Ltd ("Cannvalate"). The agreement will generate a minimum of \$4,906,000 in revenue and adds to the ECS's growing revenue profile.

The agreement commences on the execution date and continues for a period of three years post installation of ECS' extraction equipment at its tolling partner Sun Pharmaceuticals Pty Ltd ("Sun Pharma") facility, automatically renewing on a yearly basis unless terminated.

Cannvalate focuses on the late part of the medicinal cannabis value chain and has one of Australia's largest network of medicinal cannabis prescribing doctors, representing a significant share of the total prescribing market. Cannvalate acts on behalf of The Valens Company (TSX: VLNS) in Australia,



to manufacture medicinal cannabis through an exclusive arrangement with locally based Epsilon Healthcare Limited (ASX.EPN) who make the GMP medicinal products on their behalf.

The agreement with Cannvalate is expected to generate ECS approximately \$592,500 in revenue over the next twelve months, after which there is a minimum obligation of \$4,906,000 over the remaining term of the agreement, which commences upon the commissioning of extraction equipment at Sun Pharma.

The agreement with Cannvalate reinforces the quality of ECS' long term cultivation plan, and the increasing demand for Australian sourced medicinal cannabis products for the local and export market. ECS is Australia largest grower of biomass for the extract market and recently partnered with Sun Pharma in a supply and tolling agreement to accelerate plans for the cultivation and extraction of competitively priced cannabis oils (refer ASX announcement: 23 November 2021)

The TGA is expected to enforce stricter quality standards on imported medicinal cannabis products in March 2022. A change of this nature will ensure a level playing field for domestic manufacturers vs importers and therefore demand for Australian grown and manufactured products is expected to significantly increase over the course of the next 12 months, further enhancing ECS' growth prospects.

Executive General Manager, Nan-Maree Schoerie said: *"This agreement further highlights ECS' attractiveness as a supply chain partner to both global and local companies. We are delighted that Cannvalate (and their partner Valens) have selected ECS as their resin supplier and look forward to a long and rewarding relationship."*

Cannvalate Chief Operating Officer, Darryl Davies said: *"As the medicinal cannabis industry in Australia matures, we are now seeing niche businesses, who excel at their own individual core competencies, flourishing collaboratively. To see a transaction of this magnitude between industry leaders working harmoniously together, is a glimpse into the future of the Australian medicinal cannabis industry."*



ECS' significant production capacity, pricing and B2B model is enabling Australian cannabis companies to switch to ECS' local supply rather than relying on overseas imports, allowing ECS to grow through capturing existing market share as well as organic growth in patient numbers. Patient numbers are continuing grow as red tape is reduced, increased awareness and GP education and opening of more cannabis clinics.

Either party may terminate this agreement if any provision of the agreement is breached and fails or is unable to cure the breach within thirty days. The purchaser may terminate the agreement if the supplier fails to establish or maintain industry or quality standards and cannot remedy within thirty days of written notice. The supplier may terminate the agreement immediately upon written notice in the event the purchaser fails to make a payment when due and has not remedied such non-payment within ten days of non-payment notice.

-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.

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