

**ASX ANNOUNCEMENT**  
**ECS Botanics Holdings Ltd (ASX:ECS)**  
**25 July 2022**



**Quarterly Report and Highlights for the period ending 30 June 2022**

**ECS recorded another record quarter with an 86% increase on the prior quarter in receipts from customers and full-year receipts up 307% from the previous year**

**Financial Highlights**

- **Quarter receipts from customers were a record \$2.249 million, 86% up from the previous quarter (Q3 FY22: \$1.208 million). ECS' full year receipts were \$6.006 million up 307% from the previous year (FY21: \$1.475 million)**
- **Net cash used in operating activities of \$0.782 million was a reduction of 50% from the prior quarter (Q3 FY22: \$1.563 million), highlighting the value of containing operating expenses as the business grows**
- **During FY22 ECS invested \$3.457 million in assets and infrastructure to expand capacity and a further \$1.5 million in final settlement for the acquisition of Murray Meds**
- **After the close of the reporting period ECS secured \$2 million in debt funding and entered into an agreement to sell the food and wellness business**

**Operational Highlights**

**During the quarter ECS announced the following strategic initiatives:**

- **Sale of Tasmanian property and assets**
- **Divestment of industrial hemp Food and Wellness division**
- **The use of debt funding**
- **These initiatives are designed to focus resources on the Medicinal Cannabis sector where the Company sees the highest growth and profit trajectory whilst eliminating the operating expenses associated with the divested businesses**
- **During the quarter ECS exported its first shipment of Medicinal Cannabis dried flower to NUBU, New Zealand largest cannabis distributor**

**ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company")**, a leading medicinal cannabis company, is pleased to provide the following updates on activities for the period ended 30 June 2022 (the 'quarter').

**Financial Update**

The Company recorded receipts from customers totalling \$2.249 million, an 86 % increase on the previous quarter (Q3 FY22: \$1.208 million) and full year receipts of \$6.006 million – a 307% increase on the prior year (FY21: \$1.475 million).

Despite the need to provide resources to support this record growth, ECS has maintained a disciplined approach to cash used for operating expenses. The Company reduced net cash



used by 50% on the prior quarter down from \$1.563 million to \$0.782 million, which highlights both growth and cost control.

During FY22 the Company has invested \$4.957 million in assets. The investments included \$1.0 million in the final settlement for the acquisition of Murray Meds, \$0.5 million in land associated with the Murray Meds acquisition, and \$3.457 million used primarily to fund assets required to build capacity at the Victorian Medicinal Cannabis facility. These fixed assets included:

- six protective cropping enclosures, totalling a cultivation area of 2100m<sup>2</sup>
- four new GMP drying rooms designed to handle the expansion and meet the requirements for European exports
- pharmaceutical grade fit-out of the post-harvest processing area
- large propagation room to facilitate the substantial increase in clones required for the next season
- 600m<sup>2</sup> warehouse capable of being upgraded to additional processing space when required.

ECS maintained a cash balance of \$1.865 million at the end of the quarter. This together with the subsequent to end of quarter securing of a \$2.0 million debt facility leaves the Company well positioned to execute on its current growth objectives. Additional funds will be realised following the sale of the Tasmanian Cannabis Facility.

ECS also expects the operating expenses directly associated with the divestment of businesses to reduce by ~\$1.3m per annum.

### **Operational Update**

Since acquisition, ECS' Victorian facility has grown to become the flagship asset. The Company's Victorian operations are focused on the cultivation and manufacture of dry flower into euGMP licenced finished products for local and export customers. ECS also manufactures a range of euGMP licensed medicinal cannabis oils from the biomass produced on-site by leveraging arrangements with contract manufacturers. The Company is experiencing strong demand in both product segments.

During the quarter, ECS commenced the implementation of a strategic plan to underpin strong revenue growth and drive near term profitability. As part of the plan, ECS has proceeded to divest its hemp food and wellness business and commenced the selling of its Tasmanian land and medicinal cannabis business. The changes will provide additional funding to support the Company's expansion plans.

ECS will scale the Victorian operation as demand for dry flower and oil products continue to increase. To advance this opportunity, the Company has lodged an application with the Office of Drug Control (ODC) to double the size of the secure site, including the construction of a



further 15 protective cropping enclosures increasing the protected cultivation area by 6000m<sup>2</sup> as well as an outdoor cultivation area by 25,000m<sup>2</sup>. The additional outdoor cultivation is not only required for increased cultivation but also to allow for crop rotation and regenerative farming practices. The Company will commence construction of six protective cropping enclosures following approval from the ODC, which it anticipates is imminent. This will allow ECS to increase the production output of dry flower in FY23.

Subsequent to the close of the quarter the Company announced that it had completed its first shipment of dried cannabis flower to New Zealand's largest cannabis distributor NUBU, under the recently secured four-year supply agreement between the parties. The shipment followed the successful registration of ECS' cannabis strains in New Zealand. The strains are registered as dried flower for inhalation and mark the first imported cannabis flower registered for inhalation in the country. ECS will continue to work with NUBU to grow its supply pipeline. NUBU has a solid distribution footprint, which encompasses every pharmacy in the country and all major specialty clinics.

After the end of the quarter, the company also entered a trademark licensing and asset sale agreement to sell its hemp food business for \$250,000 (plus inventory on hand) to Ananda Food, a subsidiary of Ecofibre Limited.

### **Leadership changes**

As part of the Company's new strategic initiatives Executive General Manager of medicinal cannabis Nan-Maree Schoerie has taken on the role of Managing Director, while Alex Keach has transitioned into the role of Head of Corporate Relations to lead strategy, investor relations, and strategic partnerships, and will remain on the Board as Executive Director. The changes will allow Ms. Schoerie and Mr. Keach to focus on their core competencies to maintain fast growth and maximise value for shareholders.

Non-Executive Director Jeremy King also replaced David McCredie as Non-Executive Chairman. Mr. McCredie has stepped down from the Board of Directors.

Further, ECS welcomed Arthur Sun as Financial Controller during the quarter. Mr. Sun has 20 years of experience in financial management, which includes five years as Chief Financial Officer for agricultural and forestry-focused businesses.

### **Outlook**

The Company expects that it will continue to achieve growth over the coming months and expects to unlock significant value as it implements its new strategy and commissions the additional cultivation enclosures. The number of Australian physicians approved to prescribe medicinal cannabis continues to increase, as does the demand for high-grade, premium medicinal cannabis flower both locally and in international markets.



### Management commentary:

**Managing Director, Nan-Maree Schoerie said:** "ECS has developed a reputation for executing on its objectives and once again we have demonstrated our ability to do what we say we are going to do, quickly, cost-effectively, and without losing focus on our deliverables. In addition to undertaking the execution of the recently announced strategy, ECS has delivered another record quarter. These results reaffirm the attractiveness of our business-to-business, demand-driven model which is focused on producing low-cost, naturally grown medicinal cannabis, sustainably! A strategy which we believe also provides patients with the maximum therapeutic benefit from this natural medicine."

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:

	Total amount
Director & consulting fees and superannuation	\$ 121,500
Rental office payments	\$ 7,920
Company secretarial, registered office and finance management services	\$ 32,258
Pharmaceutical and IT consultancy services	\$ 44,086

In accordance with Listing Rule 3.14, ECS gives notice that it has changed its registered and principal place of business with immediate effect.

ECS' new address is 899 River Road, Murrabit West, Victoria, 3579.

**-ENDS-**

### About ECS Botanic Holdings Ltd

**ECS Botanic Holdings Ltd** is an Australian medicinal cannabis cultivator and manufacturer located in Northwest Victoria. ECS utilises progressive and innovative cultivation methodologies to produce quality medicine in a sustainable way, adopting regenerative and organic horticultural practices and renewable energy sources. Licenced by the Therapeutic Drug Administration to manufacture PIC/S GMP certified products, ECS has become a leading provider of high-quality, affordable medicinal cannabis.

For further information, please contact:

Alexander Keach, Head of Corporate Relations  
info@ecs-botanics.com

Authorised on behalf of ECS by Nan-Maree Schoerie, 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 2022

<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	2,249	6,006
1.2 Payments for		
(a) research and development	(3)	(99)
(b) product manufacturing and operating costs	(1,698)	(4,985)
(c) advertising and marketing	(38)	(181)
(d) leased assets	-	-
(e) staff costs	(1,230)	(3,838)
(f) administration and corporate costs	(76)	(1,045)
1.3 Dividends received (see note 3)		-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	15	15
1.8 Other (provide details if material)	-	10
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(784)</b>	<b>(4,120)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,164)	(3,957)
(d) investments	(1,000)	(1,000)

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(e) intellectual property	-	-
(f) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	564
(e) intellectual property	-	-
(f) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(2,164)</b>	<b>(4,393)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,598
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	-	(432)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(2)	(2)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	(1)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(2)</b>	<b>6,163</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,815	4,215
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(784)	(4,120)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,164)	(4,393)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	6,163
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>1,865</b>	<b>1,865</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	1,865	4,815
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>1,865</b>	<b>4,815</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(206)
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	\$121,500
	Financial management and Company secretary fee paid to Director related entity	\$32,258
	Pharmaceutical and IT consultancy services fee paid to Director related entities	\$44,086
	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)	(784)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,865
8.3 Unused finance facilities available at quarter end (item 7.5)	-
<b>8.4 Total available funding (item 8.2 + item 8.3)</b>	<b>1,865</b>
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>2.4</b>
<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: 25 July 2022

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.