



ABN 98 009 805 298

Annual Report

For The Year Ended 30 June 2022

ABOUT US

ECS is a large-scale cultivator and manufacturer of GMP medicinal cannabis products



www.ecs-botanics.com

Our Business:

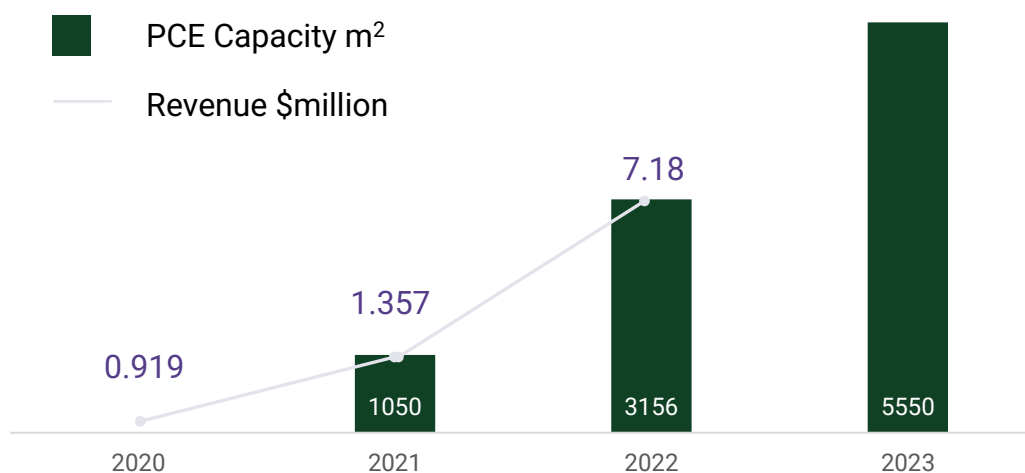
ECS Botanics Holdings Ltd is an Australian medicinal cannabis cultivator and manufacturer located in Northwest Victoria. ECS utilises progressive and innovative cultivation methodologies to produce quality medicine in a sustainable way, adopting regenerative and organic horticultural practices and renewable energy source

Licensed by the Therapeutic Drug Administration to manufacture PIC/S GMP certified products, ECS has become a leading provider of high quality, affordable medicinal cannabis.

During the year ECS focussed its resources on building scale in the Medicinal Cannabis Industry

through its Business-to-Business model, growing volumes with existing customers and onboarding new customers in both Australia and overseas. ECS's medicinal cannabis business has proudly retained 100% of its customer base since inception. The Company's strategy is to be demand driven to reduce risk and minimise waste. Growth in the business has therefore been metered by the Company's capacity to meet the demand for its products. ECS has invested in further capacity by constructing additional manufacturing and processing facilities as well and protective cropping enclosures (PCE's) to meet the demand for our GMP dried flower.

Revenue and Capacity



Utilising organic inputs and regenerative production methods whilst manufacturing to EU GMP standards places the Company amongst a select group globally, and positions it extremely well for both medical and the discerning adult use markets.

ECS implemented three strategic initiatives during 2022, sourcing \$2m in debt funding from NAB and divesting its Food Wellness Business and the

Medicinal Cannabis Facility in Tasmania, which is in progress.

After the end of the financial year the Office of Drug Control advised ECS that its application to double the area approved for cultivation including 15 new protective cropping enclosures was approved. The Company has commenced construction of six additional enclosures, this additional capacity is required to meet existing customer demand.

Annual Report.

For The Year Ended 30 June 2022

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Corporate Directory.

Board of Directors

Ms Nan Maree Schoerie
Mr Alexander Keach
Mr Jeremy King
Mr Michael Nitsche

(Managing Director) (appointed 15 March 2021)
(Executive Director) (appointed 11 July 2019)
(Non-Executive Chair) (appointed 11 January 2017)
(Non-Executive Director) (appointed 25 March 2019)

Company Secretary

Mr Mauro Piccini

Registered Office

899 River Road
Murrabit West
VIC 3579

Telephone: 1300 169 775

Website: <https://ecs-botanics.com/>

Stock Exchange Listing

Listed on the Australian Securities Exchange
(ASX Code: ECS)

Auditors

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2,
5 Spring Street
Perth WA 6000

Bankers

Westpac Banking Corporation
Level 13, 109 St Georges Terrace
Perth WA 6000

Solicitors

Nova Legal
Level 2, 50 Kings Park Road
West Perth WA 6005

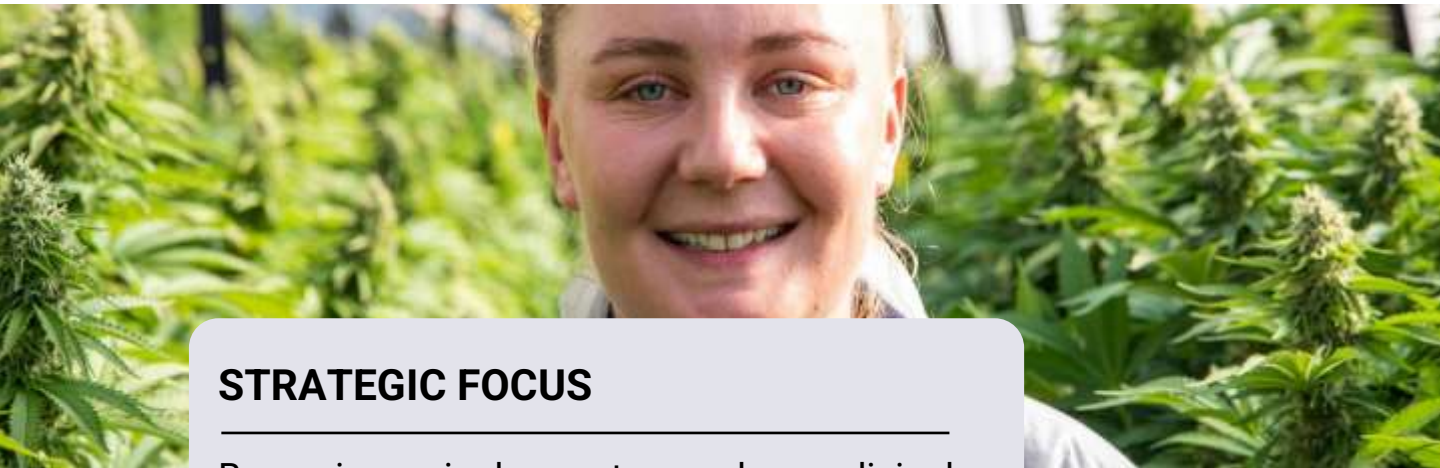
Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

Telephone: 1300 787 272



Financial Year 2022 Highlights.



STRATEGIC FOCUS

Becoming a single asset pure play medicinal cannabis company



FY 22 Medicinal cannabis sales increased by 422% to \$7.2m. Losses reduced by 74% to \$1.1m



Execution of medicinal cannabis supply agreements in Australia, New Zealand and Europe



Regenerative agriculture, organic inputs, and renewable energy buffer the rising electricity and fertiliser prices and produce highly desirable product



Genetic strain development resulted in increased yields and up to 20% increase in THC content in localised strains



Capital light, lean B2B business model has strong commercial momentum



Strategic Partnership with global pharmaceutical company, Sun Pharma delivering substantial savings from m2023



Tripling of premium dry flower capacity with 2000m2 of additional protective cropping constructed



Dry flower shipment made to the United Kingdom and New Zealand with export sales accounting for 10% of the Company revenues



Strong ESG credentials – solar power, 48% female, cultural and age diversity, regenerative and organic production methods



Established advisory boards comprising both local and international experts



Ongoing reforms – Germany expected to legalise recreational cannabis in 2024 and Thailand removed cannabis from banned narcotics list



Message from the Managing Director.

Dear Shareholders,

Building a sustainable business is not usually front of mind for newly formed companies especially for those in the cannabis industry. An industry which broadly speaking requires extraordinarily high carbon inputs in the form of both electricity and fertilisers. The approach that ECS has taken from commencement, to grow our plants, in soil under the sun, using solar power and regenerative farming techniques, has meant we are building a business that is not only cost effective but also sustainable.

Our farming practices rebuild the natural organisms in the soil, using organic inputs to foster a range of microbial organisms including beneficial bacteria and fungi creating a thriving soil food web. Our methodology offers many benefits beyond carbon capture, increasing soil water holding capacity and establishing conditions for the cannabis plants to become more disease and pest resistant.

The most rewarding outcome has been our product quality, as our cannabis plants benefit from terroir, the environmental factors from growing in soil, producing more terpenes, more aroma and more secondary metabolites associated with the extraordinary therapeutic benefits of this natural medicine.

To produce a living soil takes patience and diligence and although I am proud of the Company's strong financial performance I am most proud of the work we have done in this area. We are building a strong foundation for a truly sustainable quality business. One that can not only withstand the pressures caused by climatic changes but also produces an exceptional and

affordable quality medicine whilst improving the environment.

The company has grown very rapidly over FY22 with full year sales totalling \$7.18 million, up 422% on the previous year (FY21: \$1.375 million), whilst containing costs. Medicinal cannabis revenue grew to account for 86% of group revenue in the final quarter of FY22, reinforcing the decision to focus our resources in the Medicinal Cannabis sector.

The demand for ECS's product continues to exceed our ability to supply. To meet this growing demand ECS invested \$3.457 million in 2000sqm of protected cropping, and expansion of the GMP manufacturing facility. A further \$1.0 million was required for the final payment for the Murray Meds acquisition, and \$0.5m in land associated with this acquisition. Due to the construction time the full benefit of the investment will materialise fully in FY23. As the forecasted demand continues to increase the Company is investing in further cultivation capacity, constructing 6 more enclosures, each of which cost approximately \$200,000 to build with a payback of less than a year.

The quality of our GMP production facilities, quality systems and work processes were further validated by consecutive A1 ratings from the Therapeutic Goods Administration inspections during the financial year. This is the highest possible rating with the benefit of extending the period between inspections.

Despite the pandemic demand for medicinal cannabis remained strong and patient access numbers in Australia have continued to increase. The business successfully navigated delays from suppliers and staff outages due to isolation requirements however the pandemic did create delays in export due to GMP auditors being unable to attend site on behalf of overseas customers and the construction of the protective cropping enclosures.

Over the past 12 months we have also invested substantially in the stability trials required to determine the shelf life of our products. We now have 12 months shelf life on all the medicinal cannabis oils we produce. Specific requirements for flower stability trials required in some European countries has resulted in delays in these trials, and the associated exports to Europe until early 2023.

In October 2021 the company raised \$6.6 million (before cost) to fund its growth and the final \$1.5 million settlement of the Murray Meds acquisition. After year end the company secured a debt facility for \$2 million from the National Australia Bank. With the sale of the hemp food and wellness, the Tasmanian facility and land the company is focused on growing through non-dilutive funding and becoming profitable.

In November 2021 we entered a collaborative tolling agreement with Sun Pharmaceuticals Industries Australia (Sun Pharma). Sun Pharma is the fourth largest specialty generic pharmaceutical company in the world with global revenues of over US\$ 4.5 billion. Under the agreement Sun Pharma will produce GMP resin from ECS' biomass, additionally ECS will supply Sun Pharma with biomass for their own commercial requirements. This agreement leverages each company's expertise and provides a strong platform for growth.

We are proud to report 100% retention of our customers as well as the onboarding of 13 new customers. We have developed IP in soil and plant control strategies and these methodologies ensure consistent good quality products. In addition, we have invested in improving our

genetics with a focus on yield, resistance to pests and disease and cannabinoid content. As a result, we start the new season with genetics that thrive in our environment and deliver consistently higher THC content as well as higher yields.

Over the course of FY22 the business invested in building additional GMP processing capacity to match the increased production capacity. We have also invested in training our employees and continue to expand the team by adding experienced staff from Australia and overseas. We run a very lean business and the investment made by of our managers and staff in delivering for our customers and shareholders has been extraordinary.

Having completed several harvests, we now have a simplified and highly repeatable business model, and the Company's risk profile is lower as evidenced by the fact that banking institutions are willing to lend to us. We have developed and continue to develop IP, have a strong platform to scale up the business, a strong order book and production capacity to service our growing customer base. The Company is advanced in the product development of new products, including new delivery devices. The first products are scheduled to be released to market during the first half of this financial year.

We wish to thank our valued customers for their business and support over FY22 and look forward to supporting each of them in their growth over FY23 and beyond. Thankyou also to our valued shareholders, employees and partners for their continued support and interest in turning ECS' sustainable business into a successful one for all of us.



A handwritten signature in blue ink, appearing to read 'Nan-Maree'.

Nan-Maree Schoerie
Managing Director



Directors' Report.

The Directors of ECS Botanics Holdings Ltd ("ECS" or "the Company") present their report, together with the financial statements of the Company and controlled entities for the year ended 30 June 2022.

Directors

The names and particulars of the Company's directors in office during the financial year and at the date of this report are as follows. Directors held office for this entire year unless otherwise stated.

Nan Maree Schoerie | Managing Director

(Appointed 15 March 2021)

Nan has held Australian business leader positions of large organisations such as GE, ThermoFisher and Ventia, having shown an ability to deliver extraordinary bottom and top line growth across different geographies and industries. Nan's passion for delivering customer value and her determination to deliver outcomes resulted in enviable customer retention rates whilst regularly securing large annuity contracts, some valued at over \$200m.

As Managing Director Nan is responsible for managing the overall business, ensuring the safety and wellbeing of employees, building a high performing Company culture, ensuring high levels of Customer satisfaction and delivering on the Company's financial objectives. In addition, Nan works with the board to provide strategic guidance, and ensure good governance.

Ms Schoerie has not held any other directorships in other ASX listed companies in the past three years.

Directors' Report.

Alexander Keach | Executive Director

(Appointed 11 July 2019)

Alex has a degree in Rural Business Management and is a graduate of the Australian Institute of Company Directors (GAICD). Alex was born in Tasmania, has farming interests in Tasmania, and brings with him significant industry experience and stakeholder relationships. Alex is a board member of the Hemp Association of Tasmania (HAT) and director of Tap Agrico. In addition to his industry experience, Alex also has corporate experience and ASX board experience.

Alex has a diverse background with 15 years' experience working in financial markets as a senior manager, investor, adviser and fund manager. Alex has also acted as a corporate advisor, and managed the development and implementation of new strategies, governance and change management within an organisation. Alex has founded, grown and financed companies across agriculture, financial services and mining. Alex has practical skills in agriculture including many years' experience working on properties, including the cultivation of poppies, a narcotic raw material that is further processed to become an active pharmaceutical ingredient.

As Head of Corporate Relations Alex is responsible for capital and investor management and building industry relationships.

Mr Keach has not held any other directorships in other ASX listed companies in the past three years.

Jeremy King | Non-Executive Chairman

(Appointed 11 January 2017 and appointed NED Chairman on 14 June 2022)

Mr King is a corporate lawyer and adviser with over 20 years' experience in domestic and international legal, financial and corporate matters. Mr King is a director of a boutique corporate advisory and compliance business where he specializes in corporate and strategic advice and managing legal issues associated with clients. He spent several years in London where he worked with Allen and Overy LLP and Debevoise & Plimpton LLP and has extensive experience, particularly in relation to cross border private

equity, leveraged buy-out acquisitions and acting for banks, financial institutions and corporate issuers in respect of various debt and equity capital raisings. He regularly advises ASX listed companies on corporate and commercial matters.

Mr King was appointed chairman of ECS Botancis Holdings Limited on 14 June 2022.

During the past three years, Mr King held the following directorships in other ASX listed companies:

- Executive Director of Red Mountain Mining Limited (resigned November 2021);
- Non-Executive Director of Smart Parking Limited (current);
- Non-Executive Chairman Redcastle Resources Limited (current);
- Non-Executive Director of Burgundy Diamond Mines Limited (resigned December 2021);
- Non-Executive Director of Sultan Resources Limited (current);
- Non-Executive Director of Vanadium Resources Limited (resigned July 2019);
- Non-Executive Director of DTI Group Limited (resigned January 2019); and
- Non-Executive Chairman of Aldoro Resources Limited (resigned November 2019);

Directors' Report.

Michael Nitsche | Non-Executive Director

(Appointed 25 March 2019)

Michael is the founder and Executive Director of ARQ Capital, a boutique corporate advisory firm based in Perth, Western Australia. He has extensive experience in equity capital markets, particularly advising on deal structuring for IPO's, equity capital raisings, mergers and acquisitions.

From 2011 to 2014 Michael served as Institutional Advisor and Associate Director at two of Australia's most respected stockbroking firms. Michael has held directorships that span public and private boards across multiple market sectors. He holds a post graduate Diploma in Applied Finance with a major in Wealth Management through FINSIA.

Mr Nitsche does not hold and has not held a directorship in any other public listed company over the past 3 years.

Mr David McCredie | Former Non-Executive Chairman

(Appointed 11 July 2019 – Resigned on 14 June 2022)

David has been the CEO of the Australian British Chamber of Commerce since 2010. His interactions with a broad range of industries both in Australia and the UK enables him to provide crucial advice to government, non-government and private sector organisations on best practice in a range of fields, including business strategy, marketing, financing, political and government connectivity.

David has strong strategic and business development capabilities, becoming a highly regarded resource for those looking to broaden exposure within their sector, across industries and into new markets. David has a Bachelor of Arts and a Master of Business Administration.

Mr McCredie does not hold and has not held a directorship in any other public listed company over the past 3 years.

Company Secretary

Mauro Piccini

(Appointed 6 November 2017)

Mauro Piccini is a corporate advisor at Mirador Corporate, where he specialises in corporate advisory, company secretarial and financial management services. He spent 7 years at the ASX and possesses core competencies in publicly listed and unlisted company secretarial, administration and governance disciplines. Mauro is currently the Company Secretary of Six Sigma Metals Ltd (ASX: SI6), Red Mountain Mining Ltd (ASX:RMX), Queensland Pacific Metals Limited (ASX:PM1) and Sultan Resources Ltd (ASX:SLZ). Mauro started his career in the Perth office of Ernst and Young where he spent several years in their assurance division and is a Chartered Accountant and member of the Governance Institute of Australia.

Directors' Report.

Interests In Shares And Options Of The Company And Related Bodies Corporate

The following table sets out each current Director's relevant interest in shares and options of the Company or a related body corporate as at the date of this report.

Director	Ordinary Shares	Share Options	Performance Rights
Mr Alex Keach	100,253,739	-	27,558,290
Mr David McCredie	960,378	-	129,534
Mr Jeremy King	1,515,152	757,576	-
Mr Michael Nitsche	-	-	-
Nan Maree Schoerie	105,000,000	-	-
Total	207,729,269	757,576	27,687,824

Principal Activities

ECS Botanics 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

Review And Results Of Operations

During the financial year ending June 30 2022, the Company enhanced its focus on the medicinal cannabis with the announcement of its focussed strategy to maximise growth. Notable initiatives for the Company during the relevant period are summarised below:

- Four Industry leaders appointed to support growth: As the company moved into the production phase it was important to have highly skilled personnel in pharmaceutical quality and manufacturing, European and Australian sales, regenerative farming and cannabis cultivation
- National ranging of hemp seed oil into Coles: In August, 2021 ECS announced ranging into Coles which meant ECS hemp seed oil was ranged in Australia's to leading supermarket chains. Subsequent to year end ECS sold its hemp food and wellness brand to Ananda Food (a subsidiary of Ecofibre)
- Sales and distribution agreements: During the financial year, the Company announced a series of agreements regarding the supply of dry cannabis flower and oils to various customers, both domestic and international.

Directors' Report.

- World Class advisory board established: Six appointments made, all members are industry leaders with extensive experience in manufacturing, agriculture, cultivation, pharmaceuticals and business growth. Advisory board members include;
 - David Bellamy – Founder of Bellamy's Organic Pty Ltd with a track record of achieving business success across diverse industries including agriculture and start-ups.
 - Dr James Connell – President of Society of Cannabis Clinicians Australian Chapter, chief medical officer, and co-founder of Heyday Clinics
 - Tad Hussey – Owner of US company KIS Organics and host of the “Cannabis Cultivation and Science” Podcasts helping to bridge the gap between agriculture, horticulture, and the cannabis industry.
 - Vee Revithi - Ex-Medicine Head of the GMDP Inspectorate of the Greek Medicines' Authority with 36 years' experience in EU regulatory affairs
 - Graeme Sait – World renowned author and speaker on the relationship between soil, plant and human health and link between humus and carbon sequestration, as well as CEO and co-founder of Nutri-Tech Solutions
 - Trevor Schoerie – Managing Director of internationally recognised multi-disciplinary pharmaceutical consultancy PharmOut
- Strongly supported \$6.6 million (before costs) placement to drive expansion: The funds raised from the placement used to rapidly accelerate the company's growth plans to meet the surging demand for ECS' medicinal cannabis products. ECS will again progress the purchase and installation of additional cropping enclosures for premium dry flower.
- Agreement with Sun Pharma: entered into a collaborative supply and toll processing agreement, for cannabis biomass extraction, with Sun Pharma an Australian based subsidiary of Sun Pharmaceutical Industries Ltd. Sun Pharmaceutical Industries Ltd. is the fourth largest specialty generic pharmaceutical company in the world with global revenues of over US\$ 4.5 billion.
- Supported by more than 40 manufacturing facilities, Sun Pharmaceutical Industries Ltd provides high-quality, affordable medicines, trusted by healthcare professionals and patients in more than 100 countries across the globe. By leveraging the expertise of each company, this long-term collaboration agreement provides both companies with a strong platform for growth.
- ECS launched new marketing collateral and a video covering its staff, operations and story in order to drive sales, local and international customer awareness.
- Maiden Shipment to the United Kingdom: successfully completed first shipment of dried cannabis flower to Lyphe Group (“Lyphe”), the largest distributor of medicinal cannabis in the UK. Lyphe is the UK's largest Patient First Medical Cannabis company.
- Focussed Strategy to Maximise Growth:
- ECS Board to implement a strategy to reduce operating expenses and focus on high growth and profit opportunities as a pure-play medicinal cannabis company
- Board's new strategy expected to deliver:
 - Focus on pure-play medicinal cannabis production at its Victorian operations
 - Sale of Tasmanian property and hard assets
 - Divestment of industrial hemp Food and Wellness business division
 - Anticipated reduction of ~\$1.3m in operating expenditure per annum
 - Implementation of these initiatives will streamline the business, fast track organic growth and path to profitability
- Associated realignment of leadership team

Directors' Report.

COVID-19

The company's supply chain was relatively unaffected by COVID-19. There was a two-month delay in the completion of the construction of the Protective Cropping Enclosures. ECS production employees were required to work overtime, including the addition of a second shift, to compensate for reduced staffing levels. The reduction in available labour is an ongoing issue and has required that the Company to engage more permanent staff, as opposed to casual staff, as a retention strategy.

Capital Raising

In October 2021, ECS announced it had raised \$6.6m (before costs) through the placement of 200 million shares at an issue price of \$0.033 per share to institutional sophisticated and professional investors. The placement included a 1:2 free attaching option with an exercise price of \$0.08 each and an expiry of 2 years from the date of issue (placement options). The placement was completed in a single tranche under the Company's existing placement capacity under Listing Rule 7.1 (108,484,848 shares) and 7.1A (90,000,000 shares). The options were issued subject shareholder approval at general meeting held on 17 Dec 2021.

The funds raised from the placement were used to rapidly accelerate the Company's growth plans to meet the surging demand for ECS' medicinal cannabis division. ECS also utilised the capital to expand its drying room capacity. Additional funds were deployed to automate the Company's trimming and packing processes. Additional capital was further deployed to finalise the acquisition of Murray Med

Lead manager to the placement was CoPeak Pty Ltd ACN 606 161 900 trading as Peak Asset Management

Debt Financing

In August 2022, ECS secured a \$2,000,000 commercial loan facility from the National Australia Bank (NAB) secured by both farm land and properties in Tasmania and Murrabit.

Cash

The Company held a cash balance of \$1,866,181 as at 30 June 2022.

Financial Performance

The financial results of the Company for the year ended 30 June 2022 are:

	30-Jun-22(\$)	30-Jun-21(\$)
Cash and cash equivalents	1,866,181	4,244,950
Net Assets/(liability)	22,169,675	17,089,532
Revenue	7,180,455	1,375,045
Net loss after tax	(1,115,435)	(4,335,572)

Directors' Report.

Dividends

No dividends have been paid or declared by the Company since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

Significant Changes In The State Of Affairs

The significant changes in state of affairs during the financial year include:

Acquisition of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd Completed

On 12 March 2021, ECS Botanics Ltd acquired Murray Meds Pty Ltd and Flowerday Farms Pty Ltd as part of the transaction, ECS has also agreed to purchase the Flowerday Land Property ("FDL") (and associated FDL Water Rights).

The consideration paid for the acquisition was AUD\$1.0 million and 100 million fully paid ordinary shares at an issue price of \$0.005 per share which were issued in the 2021 financial year. The deferred consideration payment of \$1.5 million payable upon settlement of the FDL property purchase was made in March 2022. The final settlement occurred in March and April 2022 completing the sale.

Board Appointments and Resignations

On 14 June 2022, the Company appointed Mr Jeremy King as Non - Executive Chairman following the resignation of Mr David McCredie.

Ms Nan-Maree Schoerie was also appointed Managing Director on 14 June 2022 and Mr Alex Keach assumed the role of Executive director and Head of Corporate Relations.

Matters Subsequent To The Reporting Period

Subsequent to year end the company released a Investor presentation, outline its value proposition and strategy.

On the 22nd July the company also released an announcement updating the market regarding non-dilutive funding and asset sales. ECS reported that it had secured a \$2 million commercial loan facility from National Australia Bank. Furthermore, ECS advises that it has agreed to sell its hemp food and wellness business for \$250,000 (plus inventory on hand) to Ananda Food, a subsidiary of Ecofibre Limited. Settlement has now taken place.

The sale of ECS' Tasmanian medicinal cannabis facility and the farm commenced through agents CBRE, with a high level of interest received.

Directors' Report.

ECS has implemented cost-saving measures across the group. Non-dilutive funds received through debt financing, asset sales and cost savings will be invested into expanding medicinal cannabis production and will therefore ultimately directly impact future revenue.

ECS was advised by the ODC that the Company's application to add an additional 15 protective cropping enclosures and increase the area approved for the cultivation of high THC Medicinal cannabis was approved. The expansion has more than doubled the cultivation area from 23,210m² to 54,410m². Construction of the secure fencing and 6 protective cropping enclosures is already underway as the Company targets to have some of the enclosures in production by October 2022.

There has been no matter, or circumstance, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Directors' Meetings

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

Director	Number Eligible to Attend	Number Attended
Mr Alex Keach	6	6
Mr David McCredie	6	6
Mr Jeremy King	6	6
Mr Michael Nitsche	6	6
Ms Nan-Maree Schoerie	6	6

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

Due to the size and scale of the Company, there is no Remuneration and Nomination Committee or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, managed by the Board. For details of the function of the Board, please refer to the Corporate Governance Statement.

Environmental Regulation

ECS Botanics Holdings Limited is subject to significant environmental regulation. The relevant authorities are kept updated and, to the best of the directors' knowledge and belief, all responsibilities under the regulations have been discharged and there have been no breaches of any environmental regulation.

Directors' Report.

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2022 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

a) Key Management Personnel Disclosed in this Report

Key Management Personnel of the Company during the year:

Mr Jeremy King	Non-Executive Chairman (appointed 11 January 2017 & appointed Chairman on 14 June 2022)
Mr Michael Nitsche	Non-Executive Director (appointed 25 March 2019)
Mr Alex Keach	Executive Director (appointed 11 July 2019)
Mr David McCredie	Former Non-Executive Chairman (appointed 11 July 2019 – resigned 14 Jun 2022)
Ms Nan-Maree Schoerie	Managing Director (appointed 15 March 2021)

There have been no other changes after reporting date and up to the date that the financial report was authorised for issue.

The Remuneration Report is set out under the following main headings:

A	Remuneration Philosophy
B	Remuneration Governance, Structure and Approvals
C	Remuneration and Performance
D	Details of Remuneration
E	Service Agreements
F	Share-based Compensation
G	Equity Instruments Issued on Exercise of Remuneration Options
H	Loans with KMP
I	Other Transactions with KMP
J	Voting of shareholders at last's years Annual General Meeting

Directors' Report.

A. Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Company. KMP of the Company comprise of the Board of Directors.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No remuneration consultants were employed during the financial year.

B. Remuneration Governance, Structure and Approvals

The nature and amount of remuneration is collectively considered by the Board of Directors with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors.

1. Executive Remuneration Structure

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of high performance Directors.

The main objectives sought when reviewing executive remuneration is that the Company has:

- Coherent remuneration policies and practices to attract and retain Executives;
- Executives who will create value for shareholders;
- Competitive remuneration offered benchmarked against the external market; and
- Fair and responsible rewards to Executives having regard to the performance of the Company, the performance of the Executives and the general pay environment.

2. Executive Remuneration Approvals

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. Executive contracts are reviewed annually by the Board, in the absence of a Remuneration Committee, for their approval. The process consists of a review of company, business unit and individual performance, relevant comparative remuneration internally and externally and where appropriate, external advice independent of management.

Executive remuneration and incentive policies and practices must be aligned with the Company's vision, values and overall business objectives. Executive remuneration and incentive policies and practices must be designed to motivate management to pursue the Company's long-term growth and success and demonstrate a clear relationship between the Company's overall performance and performance of the executives.

Directors' Report.

C. Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP of the Company during the financial year are:

Table 1 – Remuneration of KMP of the Company for the year ended 30 June 2022 is set out below:

30 June 2022	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options	
	\$	\$	\$	\$	\$	\$
Directors						
Alex Keach	177,273	-	-	17,727	-	195,000
David McCredie	39,600	-	-	-	-	39,600
Jeremy King	36,000	-	-	3,600	-	39,600
Michael Nitsche	36,000	-	-	3,600	-	39,600
Nan Maree Schoerie	178,496	-	-	17,850	-	196,346
Total	467,369	-	-	42,777	-	510,146

Table 2 – Remuneration of KMP of the Company for the year ended 30 June 2021 is set out below:

30 June 2021	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options	
	\$	\$	\$	\$	\$	\$
Directors						
Alex Keach	178,082	-	-	16,918	-	195,000
David McCredie**	39,420	-	-	-	-	39,420
Jeremy King	36,000	-	-	3,420	-	39,420
Michael Nitsche	36,000	-	-	3,420	-	39,420
Nan Maree Schoerie*	46,716	-	-	4,438	-	51,154
Total	336,218	-	-	28,196	-	364,414

*Appointed 15 March 2021.

**Resigned 13 June 2022..

Directors' Report.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

Table 3 – Relative proportion of fixed vs variable remuneration expense.

Name	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
	2022	2021	2022	2021	2022	2021
Directors						
Alex Keach	100%	100%	-	-	-	-
David McCredie	100%	100%	-	-	-	-
Jeremy King	100%	100%	-	-	-	-
Michael Nitsche	100%	100%	-	-	-	-
Nan Maree Schoerie	100%	100%	-	-	-	-

Table 4 – Shareholdings of KMP (direct and indirect holdings)

30 June 2022	Balance at 01/07/2021	Granted as Remuneration	On Exercise of Options	Net Change – Other	Balance at 30/06/2022
Directors					
Alex Keach	90,548,668	-	-	9,705,071	100,253,739
David McCredie	625,611	-	-	334,767	960,378
Jeremy King	-	-	-	1,515,152	1,515,152
Michael Nitsche	-	-	-	-	-
Nan Maree Schoerie	100,000,000	-	-	5,000,000	105,000,000
Total	191,174,279	-	-	16,554,990	207,729,269

Table 5 – Performance rights of KMP (direct and indirect holdings)

30 June 2022	Balance at 01/07/2021	Granted as Remuneration	Net Change – Other	Balance at 30/06/2022
Directors				
Alex Keach	41,337,435	-	(13,779,145)	27,558,290
David McCredie	194,301	-	(64,767)	129,534
Jeremy King	-	-	-	-
Michael Nitsche	-	-	-	-
Nan Maree Schoerie(i)	-	-	-	-
Total	41,531,736	-	(13,843,912)	27,687,824

Directors' Report.

Table 6 – Unquoted option holdings of KMP (direct and indirect holdings)

30 June 2022	Balance at 01/07/2021	Granted as Remuneration	On Exercise of Options	Net Change – Other	Balance at 30/06/2022
Directors					
Alex Keach	937,500	-	-	(937,500)	-
David McCredie	937,500	-	-	(937,500)	-
Jeremy King	11,000,000	-	-	(10,242,424)	757,576
Michael Nitsche	5,500,000	-	-	(5,500,000)	-
Nan Maree Schoerie	-	-	-	-	-
Total	18,375,000	-	-	(17,617,424)	757,576

Table 7 - Other transactions with KMP

There are no other transactions with KMP during this financial year.

D. Service Agreements

1. Alex Keach – Executive Director and Head of Corporate Development

- Contract: Commenced on 11 July 2019
- Director's Fee: \$195,000 per annum including superannuation
- Term: 12 months from the commencement date with extended term options
- Termination: On termination the executive is entitled to be paid any outstanding amounts owing up until the termination date. The executive does not have any entitlement to payment related to the unexpired portion of the term as at the date of termination.

2. Nan Maree Schoerie – Managing Director

- Contract: Commenced on 15 March 2021
- Director's Fee: \$196,346 including superannuation per annum (\$195,000 standard annual remuneration plus an adjustment of \$1,346 from 2021)
- Term: 12 months from the commencement date with extended term options
- Termination: On termination the executive is entitled to be paid any outstanding amounts owing up until the termination date. The executive does not have any entitlement to payment related to the unexpired portion of the term as at the date of termination.

E. Share-based Compensation

The Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

F. Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options or performance rights were exercised during the financial year.

Directors' Report.

G. Loans with KMP

There was a small loan of \$445 made to Alex Keach during the year ended 30 June 2022 (2021: \$nil), which was subsequently repaid after the closing of reporting period.

H. Other Transactions with KMP

Related Party Transactions

	2022(\$)	2021(\$)
The following related party transactions were made during the year:		
Financial management fees paid to Mirador Corporate Pty Ltd ⁽ⁱ⁾	141,955	132,550
Office rental payments made to Australian British Chamber of Commerce ⁽ⁱⁱ⁾	31,680	28,800
Consulting fees paid to Pharmout ⁽ⁱⁱⁱ⁾	203,115	224,614
Payments made to Quiksolve ⁽ⁱⁱⁱ⁾	7,579	334
Payments made to Maverick Agriculture ^(iv)	-	3,666
Rental payments made to Schoerie SMFS ^(v)	15,160	6,806
Vesting of milestone A performance rights ^(vi)	-	553,757
<ul style="list-style-type: none"> i. An entity in which Jeremy King is a Director of which \$nil remains unpaid at 30 June 2022. ii. An entity in which David McCredie is a CEO. iii. An entity owned by a close family member of Nan Maree Schoerie. iv. An entity of which Alex Keach is part owner. v. An entity owned by Nan Maree Schoerie. vi. Milestone A performance rights which were granted on 11 July 2019 vested upon ECS achieving an annual revenue of \$1 million this financial year. 13,779,145 performance rights held by Alex Keach vested; a share-based payment expense of \$551,166 was recognised. 64,767 performance rights held by David McCredie vested; a share-based payment expense of \$2,591 was recognised. 		

Transactions occurring during the year are based on normal commercial terms and conditions and at an arms-length basis. There were no other transactions with KMP during the year ended 30 June 2022.

I. Voting of shareholders at last year's Annual General Meeting

ECS Botanics Holdings Limited received more than 96% on its remuneration report for the 2021 financial year.



End of Audited Remuneration Report.

Directors' Report.

Indemnification And Insurance Of Officers And Auditors

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to ensure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF BDO AUDIT (WA) PTY LTD

There are no officers of the company who are former partners at BDO Audit (WA) Pty Ltd.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 30 to the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Directors' Report.

SHARES UNDER OPTION

At the date of this report there were the following unissued ordinary shares for which options were outstanding:

- 112,000,000 quoted options exercisable at \$0.08 on or before 17 December 2023.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

At the date of this report there were no issued shares on the exercise of options granted during the year 30 June 2022. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

PERFORMANCE SHARES

- 43,750,000 Milestone C Performance Rights, expiry date of 1 July 2023.
- 6,000,000 Performance Rights, expiry date of 1 August 2025.

SHARES ISSUED ON THE VESTING OF PERFORMANCE RIGHTS

- 43,750,000 Milestone A Performance Rights vested and converted into fully paid ordinary shares on a 1 for 1 basis on 8th September 2021.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30th June 2022 has been received and included within these financial statements. A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2011* is set out on page 25.

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



A handwritten signature in blue ink, appearing to read 'Nan-Maree Schoerie'.

Nan-Maree Schoerie

Managing Director

22nd September 2022

Auditor's Independence Declaration



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Australia

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

As lead auditor of ECS Botanics Holdings Limited for the year ended 30 June 2022, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'J Prue', written in a cursive style.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 22 September 2022

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Financial Year Ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue from continuing operations			
Revenue and other income	4	7,180,455	1,375,045
Expenses			
Cost of goods sold		(5,023,086)	(1,483,939)
Depreciation and amortisation expenses	13,15	(763,501)	(187,926)
Marketing expenses		(182,674)	(214,989)
Occupancy expenses		(101,007)	(68,210)
Administrative expenses		(465,349)	(334,459)
Professional fees		(249,266)	(238,681)
Legal fees		(36,349)	(42,602)
Consulting and corporate advisory fees		(201,460)	(285,544)
Medicinal cannabis consulting fees		(60,721)	(144,006)
Compliance and regulatory expenses		(495,598)	(377,939)
Wages and superannuation		(1,550,851)	(1,381,871)
Research and development costs		(129,079)	(74,874)
Share based payment expense	22	-	(1,786,050)
Share of Gains/(losses) of Tasmanian Agrico Pty Ltd	16	95,099	(162,685)
Impairment expense		(10,399)	-
Inventory write-off	12	(774,469)	(109,822)
Fair value (gain/loss) on biological assets		1,661,021	429,270
Loss before income tax		(1,107,234)	(5,089,282)
Income tax benefit/ (expense)	5	(8,203)	753,710
Loss after income tax		(1,115,436)	(4,335,572)
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Other comprehensive income/(loss) for the year, net of tax		(1,115,436)	(4,335,572)
Total comprehensive loss attributable to the members of ECS Botanics Holdings Limited			
		(1,115,436)	(4,335,572)
Loss per share for the year attributable to the members of ECS Botanics Holdings Limited			
Basic loss per share (cents)	23	(0.11)	(0.64)
Diluted loss per share (cents)	23	(0.11)	(0.64)

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

Consolidated Statement of Financial Position As at 30 June 2022

	Note	2022 \$	2021* Restated \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,866,181	4,244,950
Trade and other receivables	8,9	2,175,906	824,551
Inventories	10	6,086,868	2,974,033
Biological assets		42,957	-
Non-current assets held for sale	11	4,737,318	-
Total current assets		14,909,230	8,043,534
Non-current assets			
Plant and equipment	15	5,206,411	7,036,265
Intangible assets	13	2,622,499	2,923,756
Goodwill	14	1,050,000	1,050,000
Investments accounted for using the equity method	16	33,476	502,377
Other Assets		-	450,000
Total non-current assets		8,912,386	11,962,398
Total assets		23,821,616	20,055,932
LIABILITIES			
Current liabilities			
Trade and other payables	17	873,559	2,528,887
Borrowings		-	1,446
Other payables	19	237,443	160,022
Contract liabilities	18	521,602	200,750
Lease liability	20	19,337	7,141
Total current liabilities		1,651,941	2,898,246
Non-current liabilities			
Lease liability	20	-	18,154
Total non-current liabilities		-	18,154
Total liabilities		1,651,941	2,916,400
Net Assets		22,169,675	17,089,532
EQUITY			
Contributed equity	21	32,786,341	24,870,764
Reserves	22	250,574	1,970,574
Accumulated losses		(10,867,240)	(9,751,806)
Total equity		22,169,675	17,089,532

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements. *Refer Note 1(c) for details on restatement.

Consolidated Statement of Changes in Equity For the Financial Year Ended 30 June 2022

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
At 1 July 2021	24,870,764	1,970,574	(9,751,806)	17,089,532
Loss after income tax for the year	-	-	(1,115,435)	(1,115,435)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the year after tax	-	-	(1,115,435)	(1,115,435)
Transactions with owners in their capacity as owners				
Issue of share capital (net of costs)	6,165,577	-	-	6,165,577
Issue of options	-	30,000	-	30,000
Vesting of performance rights	1,750,000	(1,750,000)	-	-
At 30 June 2022	32,786,341	250,574	(10,867,241)	22,169,674
At 1 July 2020	10,230,396	220,574	(5,416,234)	5,034,736
Loss after income tax for the year	-	-	(4,335,572)	(4,335,572)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the year after tax	-	-	(4,335,572)	(4,335,572)
Transactions with owners in their capacity as owners				
Issue of share capital (net of costs)	9,204,318	-	-	9,204,318
Incentive shares	36,050	-	-	36,050
Acquisition of Murray Meds Pty Ltd and Flower Day Farms Pty Ltd (note 3)	5,400,000	-	-	5,400,000
Vesting of performance rights	-	1,750,000	-	1,750,000
At 30 June 2021	24,870,764	1,970,574	(9,751,806)	17,089,532

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

Consolidated Statement of Cash Flows For the Financial Year ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		5,692,748	1,442,155
Payments to suppliers and employees		(10,404,104)	(3,706,965)
Interest received		617	875
Interest paid		(1,942)	(167)
Net cash used in operating activities	7(a)	<u>(4,712,681)</u>	<u>(2,264,102)</u>
Cash flows from investing activities			
Acquisition of Murray Meds Pty Ltd and Flower Day Farms Pty Ltd, net of cash acquired		(1,500,000)	(953,775)
Payments for plant and equipment		(580,565)	(1,898,231)
Payments for land and buildings		(2,339,141)	(1,544,079)
Proceeds from Tap Agrico		564,000	-
Payments to Murray Meds Pty Ltd, prior to acquisition		-	(200,000)
Net cash used in investing activities		<u>(3,855,706)</u>	<u>(4,596,085)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		6,195,577	9,204,318
Repayment of lease liability		(5,958)	(3,195)
Net cash from financing activities		<u>6,189,619</u>	<u>9,201,123</u>
Net increase / (decrease) in cash and cash equivalents		(2,378,769)	2,340,936
Cash and cash equivalents at the beginning of the year		4,244,950	1,904,014
Cash and cash equivalents at the end of the year	7	<u>1,866,181</u>	<u>4,244,950</u>

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

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

ECS Botanical Holdings Limited (referred to as “ECS” or the “Company”) is a company domiciled in Australia. The address of the Company’s registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The financial statements are presented in Australian dollars, which is ECS Botanical Holdings Limited’s functional and presentation currency.

(b) Basis of Preparation

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”). ECS Botanical Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The annual report was authorised for issue by the Board of Directors on 22nd September 2022.

Basis of measurement

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

Accounting Policies

The accounting policies are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

Basis of preparation and changes to the Group’s accounting policies

The consolidated entity has adopted all of the new or amended Accounting Standards and interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period.

Significant Judgements and Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Comparatives

Comparative balances for the Company are for the financial year 1 July 2020 to 30 June 2021. Comparative balances for the 30 June 2021 Statement of Financial Position have been restated to account for the retrospective impact of the finalisation of the provisional accounting of the business combination of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd. Refer Note 2 and 3.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

(e) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ECS Botanics Holdings Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. ECS Botanics Holdings Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition method of accounting is used to account for business combinations by the consolidated entity. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(f) Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in Other Comprehensive Income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Consolidated entity reviews impairment indicators at each reporting period in accordance with AASB 128 Investments in Associates and Joint Ventures. The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(g) Revenue Recognition

Revenue is measured at the amount that reflects the consideration to which the entity is expected to be entitled. All revenue noted below is recognised at a point in time.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of control of the goods and the cessation of all involvement in those goods.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Grant funding

Cash Boost and Jobkeeper are recognised where there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

(h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Cash and Cash Equivalents

Cash on hand and in bank and short-term deposits are stated at nominal value. For the purpose of the statement of cash flows, cash includes cash on hand and in bank, and bank securities readily convertible to cash, net of outstanding bank overdrafts.

(j) Trade and Other Receivables

Trade receivables, which generally have 120-day terms, are recognised at fair value and subsequently measured at amortised cost less any allowance for expected credit losses.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(k) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

The depreciable amount of all fixed assets is depreciated on a straight-line basis or diminishing value (whichever is more appropriate) over their useful lives to the entity commencing from the time the asset is held ready for use.

Land and buildings are recognised at historical cost on initial purchase, management review the value booked at each reporting date for impairment indicators.

The effective lives used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation rate
Buildings	2.5%
Class of Fixed Asset	Useful life
Irrigation systems	20 years
Other farm assets	10 years
Property plant and equipment	10-30 years
Motor vehicles	4 years
Office equipment	5 years
Computer equipment	3 years
Minor Assets <\$1000	instant write-off

(l) Biological assets

The Group's biological assets consist of the hemp growth accounted for in accordance with AASB 141 Agriculture. The Group measures the biological assets in accordance with AASB 141 Agriculture at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods within inventories. Fair value is determined based on future cash flows of the in process biological assets less costs to complete. Cost to sell include post-harvest production, shipping and fulfillment costs.

Where the biological assets cannot be reliably measured at fair value during the in-process (growth) stage the biological asset is measured at its cost less any accumulated depreciation and accumulated impairment losses. Once the fair value becomes reliably measurable (deemed to be the point of harvest) the Group measures the biological assets at their fair value less costs to sell as noted above.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of the hemp seeds are transferred from biological assets, in which they are held at fair value as at the date of harvest.

(n) Intangible assets

Intangible assets are recognised at cost less any accumulated amortisation and impairment losses. They are amortised over their estimated useful lives of 10 years. To maintain the Group's licences, they are subject to routine inspections throughout the licence period whereby the Group is required to comply with the regulations of the licences' governing bodies.

(o) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill, is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(p) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the identifiable net assets at the time of acquisition of a combination. When the excess is negative (bargain purchase), it is recognised immediately in profit or loss.

Goodwill is not amortised, Instead, Goodwill is tested for impairment at each reporting date or more frequently if events or circumstances indicate that might be impaired, and it carried at costs less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of Goodwill relating the entity sold

Goodwill is allocated to each of the cash-generating units for the purposes of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates to (refer Note 14). Impairment losses on goodwill cannot be reversed.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(q) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Company. Trade payables are usually settled within 30 days of recognition.

(r) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(s) Leases

A lease liability is recognised based on the discounted payments under the lease over the expected term of the lease. A cost model is used to recognise the right of use asset and amortise it over the expected term of the lease. For leases entered into prior to the 1 July 2019, assets previously classified as property, plant and equipment carry forward that classification.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(u) Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(v) Current and Non-Current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(w) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The critical accounting judgements, estimates and assumptions that are likely to affect the current or future balances are detailed below.

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS (CONT.)

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees and service providers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. The assumptions and models used for estimating the fair value of share-based payments transactions are disclosure in Note 22.

Contingent Consideration

The consideration comprised 131,250,000 Performance Rights that were issued as part of the Acquisition Consideration, of which 43,750,000 Performance Rights ('Milestone A Performance Rights') have already vested and share based payment expenses of \$1,750,000 was recognised in 2021. During the year the Group re-assessed the probabilities of the following remaining unvested Performances rights carried from 2021.

The Performance Rights vest subject to the below revenue milestones:

43,750,000 Performance Rights ('Milestone B Performance Rights') will convert into Shares upon ECS Botanics Pty Ltd 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 and concluded Milestones B and C won't vest as ECS Botanics will not meet the revenue criteria; and the Food and Wellness business under ECS Botanics Pty Ltd has been sold in subsequent period and COY Farm in Tasmania is being listed for sale. Hence, the consideration for the Milestone B and Milestone C shares will not be relevant for this year.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 8 is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS (CONT.)

Business combination

On 07 April 2022 the Group have completed and consequently finalised the provisional accounting for the acquisition of Murray Meds Pty Ltd and Flowerday Farm Pty Ltd. Refer Note 3. This has been reflected retrospectively within the financial report.

Biological assets

In calculating the value of biological assets and inventories, management is required to make a number of estimates and judgements, including the stage of growth of medicinal cannabis and hemp plants, harvesting costs, selling costs, sales price, wastage and expected yields for each plant.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realisable value. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

To maintain the Group's licences, they are subject to routine inspections throughout the licence period whereby the Group is required to comply with the regulations of the licences' governing bodies. If these regulations are not met, this could impact on the estimated useful life of licences.

NOTE 3 BUSINESS COMBINATION

On 12 March 2021, ECS Botanics Holdings Limited acquired 100% of the issued share capital of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd. The companies are collectively involved in the medicinal cannabis industry.

As at 30 June 2021 and 31 December 2021 the Company had provisionally accounted for the fair values of the identifiable assets and liabilities recognised as a result of the acquisition. During the year ended 30 June 2022 the Company finalised the provisional accounting of the acquisition with the final assets and liabilities acquired noted below.

Notes to the Consolidated Financial Statements

NOTE 3 Business Combination (CONT.)

Details of the final purchase consideration and the net assets acquired are as follows.

	<u>\$</u>
Cash paid	1,000,000
Ordinary shares issued ⁽ⁱ⁾	5,400,000
Contingent consideration ⁽ⁱⁱⁱ⁾	1,500,000
	<u>7,900,000</u>

	<u>Fair value \$</u>
Cash	46,225
Other current assets	20,439
Inventories	614,375
Biological assets	1,569,337
Property, plant and equipment	2,666,964
Intangible assets- licenses ⁽ⁱⁱ⁾	3,014,839
Goodwill	
Trade and other payables	(280,879)
Employee provisions	(19,101)
Borrowings	(28,489)
Deferred tax liability	(753,710)
Net assets acquired	<u>7,900,000</u>

- (i) The fair value of the 100,000,000 shares issued as part of the consideration paid for Murray Meds Pty Ltd and Flowerday Farms Pty Ltd (\$5,400,000) was based on the capital raising share price of \$0.054 on the date on which the shares were issued. At the date that the shares were issued, the Company was undertaking a capital raising and the shares of the Company were under a trading halt. As such, the capital raising share price of \$0.054 was used.
- (ii) The intangible assets acquired are licenses which allow the cultivation and sale of medicinal cannabis.
- (iii) As part of the terms of the acquisition, a contingent liability was recorded in the prior year. The contingent liability of \$1,500,000 was payable on the transfer of property from the prior vendor to ECS Botanics Holdings Limited. During the year this transfer of property occurred and the previously contingent balance was paid.

Revenue and profit contribution

The acquired businesses contributed revenues of \$201,558 and net loss of \$355,022 to the Group for the period from 13 March 2021 to 30 June 2021. If the acquisition had occurred on 1 July 2020, consolidated pro-forma sales revenue and net loss for the year ended 30 June 2021 would have been \$1,246,619, and \$4,582,373, respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and the subsidiaries.

Notes to the Consolidated Financial Statements

NOTE 4 REVENUE AND OTHER INCOME

	2022	2021
	\$	\$
<i>Revenue*</i>		
Retail sales	77,558	132,982
Wholesale sales	6,697,609	1,113,637
Other income	25,004	14,938
Government grants	366,770	99,292
Interest income	617	875
Rental income	12,897	13,321
	7,180,455	1,375,045

* All Revenue is recognised at a point in time.

NOTE 5 INCOME TAX

	2022	2021
	\$	\$
(a) The components of tax expense comprise:		
Current tax expense	8,203	-
Deferred tax (benefit)/ expense	-	(753,710)
Income tax (benefit)/ expense reported in the of profit or loss and other comprehensive income	8,203	(753,710)
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss before income tax expense	1,140,709	5,089,282
Prima facie tax benefit on loss before income tax at 25% (2021: 26%)	(285,177)	(1,323,213)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments	-	464,373
Other	(15,977)	62,566
Movement in deferred taxes not recognised	309,357	796,274
Recognition of previously unrecognised DTA	-	(753,710)
Income tax (benefit)/ expense	8,203	(753,710)
Deferred tax assets and liabilities not recognised		
Tax Loss	13,048,336	12,435,862
Accrued expenses	65,144	67,722
PPE/Intangible Licences	(513,716)	-
Other	196,724	209,027
Net DTA not recognised	12,796,488	12,712,611

Notes to the Consolidated Financial Statements

NOTE 6 SEGMENT INFORMATION

Identification of reportable operating segments

The information reported to the Board of Directors (being the Chief Operating Decision Makers (“CODM”)), are the results as shown in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position.

The Directors have determined that there are two operating segments identified for the year which are considered separately reportable,

- ECS Botanics Pty Ltd – the sale of food and wellness products; and
- Murray Meds Pty Ltd and Flowerday Farms Pty Ltd – the sale of medicinal cannabis plant related products.

30 June 2022	ECS Pty Ltd \$	Murray Meds Pty Ltd & Flower Day Farms Pty Ltd \$	Corporate \$	Total \$
Revenue				
Retail sales	77,558	-	-	77,558
Wholesale sales	1,399,022	5,298,588	-	6,697,610
Other income	90,136	315,151	-	405,287
Segment revenue	1,566,716	5,613,739	-	7,180,455
Finance costs	-	(1,942)	-	(1,942)
Loss before income tax	(1,921,430)	1,327,981	(513,783)	(1,107,232)
Income tax expense			(8,203)	(8,203)
Loss after income tax				(1,115,435)
Segment assets	5,144,057	15,289,406	3,388,152	23,821,615
Segment liabilities	221,838	1,410,548	19,556	1,651,942
Capital expenditure	(366,303)	(4,053,404)	-	(4,419,707)
Depreciation and amortisation	(99,414)	(664,087)	-	(763,501)

Notes to the Consolidated Financial Statements

NOTE 6 SEGMENT INFORMATION CONTINUED

30 June 2021	ECS Pty Ltd	ECS MC & Flowerday Farms Pty Ltd	Corporate	Total
	\$	\$	\$	\$
Revenue				
Retail sales	132,982			132,982
Wholesale sales	912,079	201,558	-	1,113,637
Other income	109,159	18,392	875	128,426
Segment revenue	1,154,220	219,950	875	1,375,045
Segment result	(1,878,651)	(567,202)	(2,642,005)	(5,087,858)
Finance costs				(1,424)
Loss before income tax				(5,089,282)
Income tax benefit				753,710
Loss after income tax				(4,335,572)
Segment assets	6,235,986	8,272,175	5,497,771	20,005,932
Segment liabilities	431,876	764,068	1,720,456	2,916,400
Capital expenditure	(3,075,923)	(358,241)	-	(3,434,164)
Depreciation and amortisation	(36,205)	(151,721)	-	(187,926)

NOTE 7 CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash at bank	1,866,181	4,244,950

Cash at bank earns interest at floating rates based on daily deposit rates.
The Company's exposure to interest rate and credit risks is disclosed in Note 24.

(a) Reconciliation of net loss after tax to net cash flows from operations

Loss for the financial year	(1,148,911)	(4,335,572)
Non-Cash Items		
Depreciation and amortisation	763,501	187,926
Investment in Tap Agrico equity accounting	(61,623)	162,685
Share based payments/listing expenses	-	1,786,050
Inventory write-off	774,469	109,822
Fair value gain/(loss) on biological assets	(1,661,021)	(429,270)
Income tax benefit	-	(753,710)
<i>Changes in assets and liabilities</i>		
(Increase) / decrease in trade and other receivables	(1,322,410)	44,042
(Increase) / decrease in inventory	(28,945)	104,836
Increase / (decrease) in trade and other payables	(2,279,639)	665,136
Increase / (decrease) in provisions and other liabilities	251,899	193,953
Net cash used in operating activities	(4,712,681)	(2,264,102)

The issue of shares on acquisition (Note 3) are non-cash investing activities. There are no other non-cash financing and non-cash investing activities identified for the year ended 30 June 2022.

Notes to the Consolidated Financial Statements

NOTE 8 TRADE AND OTHER RECEIVABLES

	2022	2021
	\$	\$
Trade receivables	1,641,470	427,135
Other receivables (Note 9)	534,436	397,416
	2,175,906	824,551

Allowance for expected credit loss

Receivables past due but not considered impaired are \$67,433 (2021: \$54,160). Other receivables are non-interest bearing and are generally on terms of 30 days. Information about the Group's exposure to credit risk is provided in Note 24.

On the basis, the loss allowance as at 30 June 2022 was determined as follows:

30 June 2022	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	-	-	-	-	
Gross carrying amount – trade receivables	1,574,037	18,000	49,433	-	1,641,470

NOTE 9 OTHER RECEIVABLES

	2022	2021
	\$	\$
Prepayments	1,641,470	66,553
Accrued income	-	-
GST and other receivables	321,238	213,163
Farmer offtake prepayment*	-	117,700
	1,962,708	397,416

*Prepayments made to farmers on receipt of hemp seeds calculated based on the hemp weight received, prior to treatment, quality testing and subsequent transfer of ownership.

NOTE 10 INVENTORIES

	2022	2021
	\$	\$
Raw materials	114,744	301,396
Finished goods	5,972,124	2,672,637
	6,086,868	2,974,033

(i) **Assigning cost to inventories**

The costs of individual items of inventory are determined using weighted average costs.

(ii) **Amounts recognised in profit or loss**

During the year ended 30 June 2022, \$774,469 of inventory was written off associated with waste and high quality control procedures in place. Remaining inventory costs were included in cost of sales.

Notes to the Consolidated Financial Statements

NOTE 11 NON-CURRENT ASSETS HELD FOR SALES

Non-current assets held for sales include ECS's COY Farm Assets in Tasmania with the following breakdowns:

	2022	2021
	\$	\$
Breakdown of NCA Held for Sales		
Office and Computer Equipment	8,038	-
Plant and Equipment	1,847,985	-
Land	670,000	-
Buildings	2,211,295	-
	<u>4,737,318</u>	<u>-</u>

NOTE 12 BIOLOGICAL ASSETS

	2022	2021
Biological Assets		
Biological Assets	42,957	-

NOTE 13 INTANGIBLE ASSETS

	2022	2021
	\$	\$
Intangible assets	3,014,839	3,014,839
Less accumulated amortisation	(392,340)	(91,083)
	<u>2,622,499</u>	<u>2,923,756</u>
Opening balance	2,923,756	-
Acquisition of subsidiaries	-	3,014,839
Less amortisation	(301,257)	(91,083)
	<u>2,622,499</u>	<u>2,923,756</u>

See note 1(n), note 1(o) and note 2 for the accounting policies relevant to intangible assets and Note 3 for the nature of intangible assets acquired as part of the business combination.

Notes to the Consolidated Financial Statements

NOTE 14 Goodwill

	2022 \$	2021 \$
Balance at the beginning of the year	1,050,000	-
Acquisition through business combination	-	1,050,000
Balance at the end of the year	1,050,000	1,050,000

Impairment

AASB 136 requires annual impairment testing to be performed for goodwill. The goodwill of 1,050,000 was realised through the purchase of property Flowerday and Murray Meds. The goodwill has been allocated to ECS Botanics MC Cash Generating Unit (CGU) for impairment testing using the value in use method. Value in use has been derived by calculating the discounted value of net cash flows expected to be derived from the CGU. Value in use has been based on a Board approved budget for year 1, forecasts based off the following assumptions for years 2-5 with a terminal value calculated to simulate the value of cash flows beyond that period.

The significant estimates and judgements relating to goodwill are disclosed in note 1(p)

Key Assumption	Input
Board approved CGU budget	Year 1 (2023)
Average Annual growth rate (Year 2-5)	9.25%
Weighted gross margin	45.67%
Inflation	6.10%
Pre-tax discounted rate	15.00%
Long-term growth rate	0%
Short-term growth rate	Average annual growth rate over years 2-5 based on management expectations and market data
Average gross margin	Average annual gross margin over the five-year forecast period based on the past performances and expectations for the future
Pre-discount rate	reflect specific risks relating to the entity and the industries which it operates within

Sensitivity Analysis

Management have considered and assessed the sensitivities associated with the key assumptions noted above, the sensitivity analysis highlighted that if revenue or gross margin for FY2023 were to adversely move by 11.58% an impairment may be required. No other inputs disclosed above were considered sensitive by management.

Notes to the Consolidated Financial Statements

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings \$	Other farm assets \$	Property plant and equipment \$	Motor vehicles ⁽ⁱ⁾ \$	Construction in progress \$	Total \$
Cost							
Balance at 1 July 2021	1,136,146	2,165,220	379,308	2,018,840	34,909	1,544,079	7,278,502
Acquisition of subsidiaries	350,000	100,000	-	-	-	-	450,000
Additions	-	1,442,720	972,351	549,942	-	6,771	2,971,784
Disposals	-	-	(8,955)	-	-	-	(8,955)
Reclassifications	-	1,160,530	(28,283)	418,603	-	(1,550,850)	-
Transfer to non-current assets held for sale (refer note 11)	(670,000)	(2,286,780)	-	(1,982,375)	-	-	(4,939,155)
Balance at 30 June 2022	816,146	2,581,690	1,314,421	1,005,010	34,909	-	5,752,176
Depreciation							
Balance at 1 July 2021	-	146,026	24,025	54,774	17,412	-	242,237
Depreciation for the year	-	97,591	233,749	122,085	8,818	-	462,243
Impairment of Asset	-	-	-	43,122	-	-	43,122
Assets held for sale(refer note 11)	-	(75,484)	-	(126,353)	-	-	(201,837)
Balance at 30 June 2022	-	168,133	257,774	93,628	26,230	-	545,765
Carrying amounts							
at 1 July 2021	1,136,146	2,047,476	327,000	1,964,068	17,497	1,544,079	7,036,265
at 30 June 2022	816,146	2,413,557	1,056,647	911,382	8,679	-	5,206,411

- (i) The motor vehicle has been acquired via a hire purchase arrangement.

Notes to the Consolidated Financial Statements

NOTE 15 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Land \$	Buildings \$	Other farm assets \$	Property plant and equipment \$	Motor vehicles \$	Construction in progress \$	Total \$
Cost							
Balance at 1 July 2020	670,000	530,000	28,282	268,648	-	-	1,496,930
Acquisition of subsidiaries	466,146	1,539,068	105,976	201,309	34,909	-	2,347,408
Additions	-	96,152	245,050	1,548,883	-	1,544,079	3,434,164
Balance at 30 June 2021	1,136,146	2,165,220	379,308	2,018,840	34,909	1,544,079	7,278,502
Depreciation							
Balance at 1 July 2020	-	10,128	2,162	10,807	-	-	23,097
Acquisition of subsidiaries	-	92,234	4,954	17,793	15,462	-	130,443
Depreciation for the year	-	43,664	16,909	26,174	1,950	-	88,697
Balance at 30 June 2021	-	146,026	24,025	54,774	17,412	-	242,237
Carrying amounts							
at 1 July 2020	670,000	519,872	26,120	257,841	-	-	1,473,833
at 30 June 2021	1,136,146	2,019,194	355,283	1,964,066	17,497	1,544,079	7,036,265

NOTE 16: 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	Principal place of business	Ownership Interest	
		2022	2021
		%	%
Tasmanian Agricultural Producers Pty Ltd	Australia	28.4%	28.4%

On 11th September 2019 ECS Botanics Pty Ltd (ECS) acquired 28.4% of Tasmanian Agricultural Producers Pty Ltd (TAP). A strategic investment in order to handle and process ECS's harvest & expanding supply.

The consideration paid for 28.4% interest in the Company was \$750,000.

On 25 Apr 2022, TAP returned \$564,000 capital to ECS after its land sales. Residual value as at 30 June 2021 was \$33,476.

Name	Principal place of business	Closing Balances of TAP Investments	
		2022	2021
		\$	\$
Investments in associate	Australia	33,476	502,377
		33,476	502,377

Notes to the Consolidated Financial Statements

NOTE 16 INTERESTS IN ASSOCIATES CONTINUED

	2022	2021
<i>Summarised statement of financial position</i>		
	\$	\$
Current assets	170,207	276,672
Non-current assets	-	2,834,897
Total assets	170,207	3,111,569
Current liabilities	408	692,652
Non-current liabilities	-	600,000
Total liabilities	408	1,292,652
Net assets	169,799	1,818,917
<i>Summarised statement of profit or loss and other comprehensive income</i>		
	2022	2021
	\$	\$
Revenue	105,571	3,444,236
Expenses	(177,638)	(4,017,071)
Profit/(loss) before income tax	(72,067)	(572,835)
Income tax expense	-	-
Profit/(loss) after income tax	(72,067)	(572,835)
Other comprehensive income/(loss)	406,922	-
Total comprehensive income/(loss)	334,855	(572,835)
<i>Reconciliation of the consolidated entity's carrying amount</i>		
	\$	\$
Opening carrying amount	502,377	665,062
Share of profit/(loss) after income tax	95,099	(162,685)
Return of part of working capital	(564,000)	-
Closing carrying amount	33,476	502,377

Notes to the Consolidated Financial Statements

NOTE 17 TRADE AND OTHER PAYABLES

	2022	2021
	\$	\$
Trade Payables	703,541	615,136
Accruals and Other Payables	170,019	413,751
	873,560	1,028,887

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group. The amounts are unsecured and are usually payable within 30 days of recognition. Information about the Group's exposure to credit risk is provided in Note 24.

NOTE 18 CONTRACT LIABILITIES

	2022	2021
	\$	\$
Contract liability	521,602	200,750
	521,602	200,750

NOTE 19 OTHER PAYABLES

	2022	2021
	\$	\$
Superannuation payable	60,987	14,836
PAYG Payable	4,336	50,827
Annual leave provision	172,120	94,359
	237,443	160,022

NOTE 20 LEASE LIABILITY

	2022	2021
	\$	\$
Current		
Lease liability	20,066	8,740
Unexpired interest	(729)	(1,599)
	19,337	7,141
Non-current		
Lease liability	-	18,721
Unexpired interest	-	(567)
	-	18,154

As part of the acquisition of Murray Meds Pty Ltd, a lease liability was acquired (Note 20). The terms of the lease arrangement, entered into the finance the purchase of a motor vehicle are as follows, 48-month term ending in January 2023 and monthly repayments of \$672.28 at 6.85% p.a.

Notes to the Consolidated Financial Statements

NOTE 21 ISSUED CAPITAL

	2022 \$	2021 \$
Issued and paid up Capital		
Ordinary Shares Fully Paid	32,786,341	24,870,764

	Date	Issue price	No. of Shares	\$
Movement in ordinary shares on issue				
Balance at the beginning of the year	1 July 2020	-	507,591,067	10,230,396
July 2020 share placement	3 August 2020	\$0.0175	34,285,715	600,000
Placement August	26 August 2020	0.0175	42,868,423	750,197
Incentive shares issued ⁽ⁱ⁾	2 November 2020	0.0250	1,250,000	31,250
Placement December	17 December 2020	\$0.045	88,888,889	4,000,000
Acquisition of Murray Meds	15 March 2021	\$0.054	100,000,000	5,400,000
Share placement - Mar 2021	24 March 2021	\$0.050	80,000,000	4,000,000
Placement of shortfall	26 April 2021	\$0.050	7,963,241	398,162
Incentive shares issued ⁽ⁱⁱ⁾	30 June 2021	\$0.036	133,332	4,800
Capital raising costs				(544,041)
Balance at the end of year	30 June 2021		862,980,667	24,870,764
Balance at the beginning of the year	1 July 2021	-	862,980,667	24,870,764
Conversion of Performance Rights to shares	8 September 2021	\$0.040	43,750,000	1,750,000
Placement November	4 November 2021	\$0.033	198,484,848	6,550,000
Placement to Director	13 January 2022	\$0.033	1,515,152	50,000
Capital raising costs				(434,423)
Balance at the end of year	30 June 2022		1,106,730,667	32,786,341

- (i) 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.
- (ii) The incentive shares were granted on 30 June 2021 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 30 June 2021.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Notes to the Consolidated Financial Statements

NOTE 22: SHARE BASED PAYMENTS

	2022 \$	2021 \$
(a) Recognised share-based payment transactions		
Options issued to Directors ⁽ⁱ⁾	-	-
Shares issued to employees ⁽ⁱⁱ⁾	-	36,050
Performance rights vested ⁽ⁱⁱⁱ⁾	-	1,750,000
	-	1,786,050

- (i) On 11 July 2019, the Company issued 20,375,000 options to the Directors, exercisable at \$0.08 on or before 11 January 2022.
- (ii) On 19 November 2020, the Company issued 1,250,000 shares 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. On 30 June 2021, the Company issued an additional 133,332 shares to employees. The arrangement is also 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 30 June 2021.
- (iii) The milestone for Milestone A performance rights was ECS Botanics Pty Ltd achieving an annual revenue in any financial year of \$1 million within two years of the Company's readmission. As ECS Botanics Pty Ltd's revenue for this year is \$1.04 million, Milestone A has been achieved, and the performance rights have vested. A corresponding movement of \$1,750,000 has been recognized in the share-based payment reserve.

(b) Summary of options granted during the year

12,000,000 options were granted during the year to the Lead Manager for the placement in October 2021.

Options as at 30 June 2022.

Options	Issue Date	Date of Expiry	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
Directors	11/07/2019	11/01/2022	0.08	20,375,000	-	-	20,375,000	-
Lead Manager	14/01/2022	17/12/2023	0.08	-	12,000,000	-	-	12,000,000
				20,375,000	12,000,000	-	-	12,000,000

	2022 \$	2021 \$
(b) Movement in reserves		
1 July	1,970,574	220,574
Options issued to Directors	-	-
Shares issued to employees ⁽ⁱⁱ⁾	30,000	-
Performance rights vested ⁽ⁱⁱⁱ⁾	(1,750,000)	1,750,000
30 June	250,574	1,970,574

Notes to the Consolidated Financial Statements

NOTE 23 LOSS PER SHARE

	2022	2021
	\$	\$
Net loss attributable to ordinary equity holders of the Company	<u>(1,115,435)</u>	<u>(4,335,572)</u>
Weighted average number of ordinary shares for basic and diluted loss	1,029,128,446	676,353,751
Continuing operations		
- Basic and diluted loss per share (cents)	(0.11)	(0.64)

NOTE 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Groups activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unprofitability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods included sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

Risk management is carried out by the Board of Directors ('the Board') and includes identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The carrying values of the Company's financial instruments are as follows:

	2022	2021
	\$	\$
Financial Assets		
Cash and cash equivalents	1,866,181	4,244,950
Trade and other receivables	2,175,906	640,298
	<u>4,042,087</u>	<u>4,885,248</u>
Financial Liabilities		
Trade and other payables	(873,559)	(2,528,887)
Lease liability	(19,337)	(25,295)
	<u>(892,896)</u>	<u>(2,554,182)</u>

(a) Market risk

(i) Foreign exchange risk

The Company is not significantly exposed to foreign currency risk fluctuations.

(ii) Interest rate risk

The Company is not significantly exposed to interest rate risk fluctuations.

Notes to the Consolidated Financial Statements

NOTE 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

(b) Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counterparty, with maximum exposure equal to the carrying amount of the financial assets. The Company's policy is to trade only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Company except for cash and cash equivalents. ECS cash accounts are held with both Westpac and Commonwealth bank, their credit rating is AA- and AA- respectively by S&P Global.

See note 8 regarding expected credit losses.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Company does not have any external borrowings. The following are the contractual maturities of financial liabilities

	6 months	6-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
2022					
Trade and other payables	873,559	-	-	-	873,559
Finance lease liability	3,399	15,938	-	-	19,337
	876,958	15,938	-	-	892,896
2021					
Trade and other payables	1,028,887	-	-	-	1,028,887
Finance lease liability	3,950	3,950	17,395	-	25,295
	1,032,837	3,950	17,395	-	1,054,182

(d) Capital risk management

The Company's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange ("ASX").

Notes to the Consolidated Financial Statements

NOTE 25 FAIR VALUE MEASUREMENTS

A number of the Company's accounting policies and disclosure require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

The notional amount of trade and other receivables with a remaining life of less than six months is deemed to reflect the fair value. All other receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Fair value of financial assets and liabilities

AASB 7 *Financial Instruments* requires disclosure of the fair value of financial assets and liabilities categorised by the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Fair value of biological assets

Biological assets are valued using the expected realisable value based on recent medicinal cannabis plant derived sales, less any selling costs.

Unless otherwise stated, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the account accounting policies. The carrying amount of financial assets and financial liabilities are assumed to approximate their fair value due to their short-term nature.

NOTE 26 RELATED PARTY DISCLOSURE

(a) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

	2022	2021
	\$	\$
Short-term benefits	467,369	336,218
Long-term benefits	42,777	28,196
Share based payments	-	-
	510,146	364,414

Notes to the Consolidated Financial Statements

NOTE 26 RELATED PARTY DISCLOSURE CONTINUED

(b) Related Party Transactions

	2022	2021
	\$	\$
The following payments occurred with related parties:		
Financial management, Company secretarial and registered office fees paid/payable to Mirador Corporate Pty Ltd ⁽ⁱ⁾	141,955	132,550
Office rental payments made to Australian British Chamber of Commerce ⁽ⁱⁱ⁾	31,680	28,800
Consulting fees paid to Pharmout ⁽ⁱⁱⁱ⁾	203,115	224,614
Payments made to Quiksolve ^(iv)	7,579	334
Payments made to Maverick Agriculture ^(v)	-	3,666
Rental payments made to Schoerie SMFS ^(vi)	15,160	6,806
Vesting of milestone A performance rights ^(vii)	-	553,757
Small loan to Alex Keach	445	-

- I. An entity in which Jeremy King is a Director of which \$nil remains unpaid at 30 June 2022.
- II. An entity in which David McCredie is a CEO.
- III. An entity owned by a close family member of Nan Maree Schoerie.
- IV. An entity owned by a close family member of Nan Maree Schoerie.
- V. An entity of which Alex Keach is part owner.
- VI. An entity owned by Nan Maree Schoerie.
- VII. Milestone A performance rights which were granted on 11 July 2019 vested upon ECS achieving an annual revenue of \$1 million this financial year. 13,779,145 performance rights held by Alex Keach vested; a share-based payment expense of \$551,166 was recognised. 64,767 performance rights held by David McCredie vested; a share-based payment expense of \$2,591 was recognised.
- VIII. There was a small loan of \$445 made Alex Keach during the year ended 30 June 2022 (2021:\$ nil)

Transactions occurring during the year are based on normal terms and conditions and at an arm's length basis. Information regarding individual Directors compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Transactions with Associate

During the period ECS Botanics paid \$nil (2021: \$1,650) for services performed and had \$nil payable (2021: \$nil) to TAP Agrico as at 30 June 2022.

NOTE 27 COMMITMENTS

There are capital commitments of \$nil as at 30 June 2022 (2021: \$96,975).

NOTE 28 CONTINGENCIES

During the year, the Group re-assessed the probabilities of the contingent consideration being payable with respect to the reverse asset acquisition of ECS Botanics Pty Ltd occurring on 11 July 2019. The following Performance Rights will not eventuate as we will not meet revenue criteria set below.

Milestone B Performance Rights

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.

Notes to the Consolidated Financial Statements

NOTE 28 CONTINGENCIES CONTINUED

Milestone C Performance Rights

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 that the above Performance Rights will not be vested as we have sold F&W business and COY Farm in Tasmania is being listed for sales, so we are expecting very little to nil revenue in the future years.

NOTE 29 AUDITOR'S REMUNERATION

	2022 \$	2021 \$
Amounts received or due and receivable by BDO (Audit) Pty Ltd for:		
Audit and review of the annual and half-year financial report	84,755	70,860
Other services – BDO Corporate Tax (WA) Pty Ltd		
- Income tax return	16,542	12,926
- Tax consulting	20,941	13,725
	122,238	97,511

NOTE 30 INTERESTS IN SUBSIDIARIES

	Principal Activities	Country of Incorporation	Ownership interest	
			2022 %	2021 %
ECS Botanics Pty Ltd	Hemp retail	Australia	100	100
Tasmanian Cannabanoids Pty Ltd Investment	Agriculture	Australia	100	100
Tasmanian Hemp Pty Ltd Investment	Agriculture	Australia	100	100
Flowerday Farms Pty Ltd*	Agriculture	Australia	100	100
Murray Meds Pty Ltd*	Agriculture	Australia	100	100

* The companies were acquired on 12 March 2021.

NOTE 31 PARENT ENTITY

	2022 \$	2021 \$
Assets		
Current assets	1,863,887	3,997,771
Non-current assets	20,325,344	13,312,217
Total assets	22,189,231	17,309,988
Liabilities		
Current liabilities	19,556	220,456
Total liabilities	19,556	220,456

Notes to the Consolidated Financial Statements

NOTE 31 PARENT ENTITY CONTINUED

	2022	2021
	\$	\$
Equity		
Contributed equity	30,930,841	23,015,264
Reserves	250,574	1,970,574
Accumulated losses	(9,011,740)	(7,896,306)
Total equity	22,169,675	17,089,532
Loss for the year	(1,115,434)	(4,405,501)
Total comprehensive loss	(1,115,434)	(4,405,501)

- a) Guarantees entered into by the parent entity
There are no guarantees entered into by the parent entity for the year 30 June 2022 (2021: nil)
- b) Contingent liability of the parent entity
Refer to Note 28 for contingent liabilities of the parent entity
- c) Contractual commitments of the parent entity
There are no capital commitments entered into by the parent entity for the year 30 June 2022 (2021: \$96,975)

NOTE 32 EVENTS AFTER THE REPORTING DATE

Subsequent to year end the company released a Investor presentation, outline its value proposition and strategy.

On the 22nd July 2022 the company also released an announcement updating the market regarding non-dilutive funding and asset sales. ECS reported that it had secured a \$2 million commercial loan facility from National Australia Bank. Furthermore, ECS advises that it has agreed to sell its hemp food and wellness business for \$250,000 (plus inventory on hand) to Ananda Food, a subsidiary of Ecofibre Limited. Settlement has now taken place.

The sale of ECS' Tasmanian medicinal cannabis facility and the farm commenced through agents CBRE, with a high level of interest received.

ECS has implemented cost-saving measures across the group. Non-dilutive funds received through debt financing, asset sales and cost savings will be invested into expanding medicinal cannabis production and will therefore ultimately directly impact future revenue.

Notes to the Consolidated Financial Statements

NOTE 32 EVENTS AFTER THE REPORTING DATE CONTINUED

ECS was advised by the ODC that the Company's application to add an additional 15 protective cropping enclosures and increase the area approved for the cultivation of high THC Medicinal cannabis was approved. The expansion has more than doubled the cultivation area from 23,210m² to 54,410m². Construction of the secure fencing and 6 protective cropping enclosures is already underway as the Company targets to have some of the enclosures in production by October 2022.

There has been no matter, or circumstance, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Directors' Declaration

In the Directors' opinion:

- a) The financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:
 - i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the entity's financial position as at 30 June 2022 and of its performance for the year ended on that date.
- b) The financial statements and notes comply with International Financial Reporting Standards.
- c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Nan-Maree Schoerie
Managing Director
22nd September 2022



Independent Auditor's Report-1



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INDEPENDENT AUDITOR'S REPORT

To the members of ECS Botanics Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ECS Botanics Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report - 2



Recoverability of cash generating unit

Key audit matter	How the matter was addressed in our audit
<p>The Group's carrying value of goodwill as disclosed in note 14 represents a significant asset to the Group. The Australian Accounting Standards require the Group to test its cash generating unit to which the goodwill is allocated for impairment at least annually.</p> <p>The assessment of impairment is complex and highly judgemental and includes assessing a range of external and internal factors and modelling a range of assumptions that could impact the recoverable amount of a cash generating unit ("CGU"). Accordingly, this matter was considered to be a key audit matter.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the Group's identification of CGUs based on our understanding of the Group's business and internal reporting; • In conjunction with our internal valuation specialists, reviewing and assessing management's testing of impairment, including: <ul style="list-style-type: none"> ▪ Obtaining and reviewing reasonableness of cash flow forecasts approved by the board; ▪ Considering the appropriateness of the discount rates applied; ▪ Considering the appropriateness of the valuation methodology applied; and ▪ Considering and reviewing management's key estimates and judgements applied within the value in use model. • Reviewing if there have been significant changes with an adverse effect on the entity that have taken place during the year or is expected to take place in the near future; and • Assessing the adequacy of the related disclosures in note 2 and note 14 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report-3



Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 22 of the directors' report for the year ended 30 June 2022

In our opinion, the Remuneration Report of ECS Botanics Holdings Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'J Prue'.

Jarrad Prue

Director

Perth, 22 September 2022

Corporate Governance Statement

The Company's Directors are committed to conducting the Company's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) (Recommendations) to the extent appropriate to the size and nature of the Company's operations.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations.

The Company's Corporate Governance Statement and policies can be found on its website:
<https://ecs-botanics.com/investor-centre/>

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 8th September 2022.

TWENTY LARGEST SHAREHOLDERS

		Number Held	Percentage (%)
1	KEACH SECURITIES AND INVESTMENTS PTY LTD	100,253,739	9.06
2	FLOWERDAY HOLDINGS PTY LTD	100,000,000	9.04
3	HARBOUR CAPITAL ASSET MANAGEMENT PTY LTD	78,163,486	7.06
4	MACQUARIE CROPPING SERVICES PTY LTD	16,698,152	1.51
5	MR BENJAMIN JOHN HARINGTON	16,500,000	1.49
6	SUPER SECRET PTY LIMITED <TKOCZ SF A/C>	16,000,000	1.45
7	10 BOLIVIANOS PTY LTD	13,967,775	1.26
8	MR PEPPI SCHIANO DICOLA	13,711,814	1.24
9	TAOS PTY LTD <GEILINGS & CO PTY SUPER A/C>	13,621,296	1.23
10	RK LIVESTOCK PTY LTD <TALLAGANDRA DISCRETIONARY A/C>	13,485,381	1.22
11	ABACUS GLOBAL PTY LTD	12,259,437	1.11
12	C Y T INVESTMENT PTY LTD	12,000,000	1.08
13	CANNVALATE PTY LTD	11,363,636	1.03
14	XCEL CAPITAL PTY LTD	8,300,000	0.75
15	ARCUS CALLISTO PTY LTD <BC HARINGTON SUPER FUND A/C>	8,000,000	0.72
16	DA & DJ BURT PTY LTD	7,349,336	0.66
17	XCEL CAPITAL PTY LTD	7,206,698	0.65
18	MR HAOJIE LI	7,196,802	0.65
19	WALLIS-MANCE PTY LIMITED <WALLIS-MANCE FAMILY A/C>	7,088,253	0.64
20	MR MARK ANDREW TKOCZ	7,050,000	0.64
		470,215,805	42.49

TWENTY LARGEST QUOTED OPTION HOLDERS

		Number Held	Percentage (%)
1	MR FREDERICK RICHARD BATTY	18,000,000	16.07
2	MR BENJAMIN JOHN HARINGTON	10,942,156	9.77
3	10 BOLIVIANOS PTY LTD	7,226,250	6.45
4	CANNVALATE PTY LTD	5,681,818	5.07
5	ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	5,303,031	4.73
6	MR RAYMOND LAURENCE CARROLL	3,172,124	2.83
7	MR ALI MOHAMMED PARVEZ UKANI	3,000,000	2.68
8	SANLAM PRIVATE WEALTH PTY LTD <WESTBOURNE LONG SHORT A/C>	2,500,000	2.23
9	YASELLERAPH P/L <YASELLERAPH A/C>	2,348,485	2.10
10	PARKER FINANCE PTY LTD <PARKER FINANCE A/C>	2,150,000	1.92
11	AUSTRALIAN TRAVEL DIRECTORY (AUST) PTY LTD	1,893,940	1.69
12	MR KEVIN DANIEL LEARY + MRS HELEN PATRICIA LEARY <KEVIN & HELEN LEARY S/F A/C>	1,893,939	1.69
13	GREEN MOUNTAINS INVESTMENTS LTD	1,830,607	1.63

14	MR GUY BANDUCCI	1,515,152	1.35
14	KALCON INVESTMENTS PTY LTD	1,515,152	1.35
16	MR CONOR DALEY	1,363,636	1.22
17	ILLUMINATION HOLDINGS PTY LTD <THE VML NO 2 A/C>	1,179,919	1.05
18	AZZURRA INVESTMENTS PTY LTD	1,136,364	1.01
19	BNP PARIBAS NOMS PTY LTD <DRP>	1,136,363	1.01
20	DA & DJ BURT PTY LTD	1,000,000	0.89
		74,788,936	66.78

ASX Additional Information

DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

- 1,106,730,667 fully paid shares held by 4,558 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding, is:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	704	153,643	0.01
1,001 - 5,000	201	477,419	0.04
5,001 - 10,000	345	2,965,343	0.27
10,001 - 100,000	2,243	84,925,412	7.67
100,001 Over	1,065	1,018,208,850	92.00
Total	4,558	1,106,730,667	100

(ii) Quoted Options

- 112,000,068 quoted options held by 197 individual shareholders with an exercise price of \$0.08 and an expiry date of 17 December 2023.

Range	Total holders	Units	% Units
1 - 1,000	3	3	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	1	9,089	0.01
10,001 - 100,000	67	4,389,126	3.92
100,001 Over	126	107,601,850	96.07
Total	197	112,000,068	100.00

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Holding Balance	% of Issued Capital
KEACH SECURITIES AND INVESTMENTS PTY LTD	100,253,739	9.06
FLOWERDAY HOLDINGS PTY LTD	100,000,000	9.04
HARBOUR CAPITAL ASSET MANAGEMENT PTY LTD	78,163,486	7.06

RESTRICTED SECURITIES

There are 44,444 fully paid ordinary shares escrowed until 30 June 2023.

There are 50,000,000 fully paid ordinary shares escrowed until 15 March 2023.

UNMARKETABLE PARCELS

There were 1,897 holders of less than a marketable parcel of ordinary shares.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

ACQUISITION OF VOTING SHARES

No issues of securities have been approved for the purposes of Item 7 of Section 611 of the Corporations Act 2001.

TAX STATUS

The Company is treated as a public company for taxation purposes.

FRANKING CREDITS

The Company has no franking credits.

VOTING RIGHTS

The voting rights attaching to each class of equity security are set out below:

Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

Options carry no voting rights.