



26 October 2022

Quarterly Report and Highlights for the period ending 30 September 2022

Financial Highlights:

- Quarter receipts from customers were a record \$2.549 million, 13% up from the previous quarter (Q4 FY2022: \$2.249 million) and a 141% increase on the previous corresponding period (Q1 FY2021: \$1.059 million)
- Net cash used in operating activities of \$0.462 million was a normalised reduction of 8% from the prior quarter

Operational Highlights:

- Stage 3 expansion approved by the Office of Drug Control which includes 15 protective cropping enclosures and 25,000m² of outdoor growing area increasing the licenced area to 54,400m².
- Secured a \$2 million loan from the National Australia Bank (NAB)
- Concluded the Divestment of the Hemp Food and Wellness business
- Subsequent events include sale of Tasmanian assets and business for \$3 million

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

Financial Update

The Company recorded receipts from customers totalling \$2.549 million, a 13% increase on the previous quarter (Q4 FY2022: \$2.249 million) and a 141% increase on the previous corresponding period (Q1 FY2021: \$1.059 million).

ECS has maintained a disciplined approach to cash used for operating expenses, with a key focus on investing its capital in income producing assets. Net cash used in operating activities of \$0.462 million was a reduction of 41% from the prior quarter (Q3 FY22: \$0.782 million). The reduction was partly attributed to \$0.287 million R&D grant received from the FY2021 tax return; Normalised net cash used in operating activities before the R&D grant and redundancy payments was an 8% reduction from the previous quarter.

During the quarter, the Company invested \$854,000 in assets which included the security infrastructure required for the expansion as well as the procurement and partial construction of six more new protected cropping enclosures. Further investment was made on expanding the GMP footprint to include all processing areas and drying rooms.

During the quarter the Company sold the Food and Wellness business for \$250,000.



Operational Update

During the quarter, ECS was advised that the Office of Drug Control had approved the Company's application to add 15 protected cropping enclosures and double the area approved for the cultivation of high THC Medicinal cannabis from 23,210m² to 54,410m². Construction of the secure fencing and 6 protective cropping enclosures is already underway, and we anticipate that these 6 will be in production this season. The recent expansion of the GMP footprint to include all processing and drying rooms enhances our attractiveness to the EU market and provides the capacity to process the upcoming harvest.

Subsequent Events, Flood and Outlook

Subsequent to the end of the quarter, ECS executed a binding contract for the sale of its Tasmanian Business for a sale price of \$3 million. Completion is scheduled for 31 October (or such date agreed by both parties). Consistent with a reduction in secured property, the Company's maximum loan limit with the NAB shall be reduced, likely to an upper limit of approximately \$800,000.

The Victorian facility is located in an area where there is a risk of flooding. While the property has never been known to flood, precautions have been in place at the property for some time. Given the unprecedented river levels and the consistent rain events, the Company has increased existing levee banks to 1.6m around the entire facility as a precaution against this and any future flood events.

ECS is planning to launch a new product dosage form of medicinal cannabis towards the end of the year. Based on our strong order book ECS is expecting revenues to increase from the existing quarter, with a further ramp up of exports in early 2023, following the completion of the stability trials required for product registration.

Managing Director, Nan-Maree Schoerie commented: *"The team have been busy preparing for the new season and the young plants look extremely healthy. In addition to the growing demand from customers we have started onboarding new customers as our forecasted production increases to meet the demand. With the restructuring complete, the Company can now focus entirely on growth and execution of the Medicinal Cannabis business strategy."*

-ENDS-

About ECS Botanic Holdings Ltd

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

Authorised on behalf of ECS by Nan-Maree Schoerie, Managing Director

For further information, please contact:
Alexander Keach, Head of Corporate Relations
info@ecs-botanics.com

Appendix 4C

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

Name of entity

ECS Botanics Holdings Limited

ABN

98 009 805 298

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,549	2,549
1.2 Payments for		
(a) research and development	(49)	(49)
(b) product manufacturing and operating costs	(1,839)	(1,839)
(c) advertising and marketing	(3)	(3)
(d) leased assets	-	-
(e) staff costs	(1,073)	(1,073)
(f) administration and corporate costs	(334)	(334)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	287	287
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(462)	(462)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(854)	(854)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	250	250
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(604)	(604)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(2)	(2)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(2)	(2)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,865	1,865
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(462)	(462)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(604)	(604)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	(2)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	797	797

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	797	1,865
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	797	1,865

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(218)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		
6.1	Director and consulting fees paid to Directors and/or Director related entities	\$131,596
	Financial management and Company secretary fee paid to Director related entity	\$21,505
	Pharmaceutical and IT consultancy services fee paid to Director related entities	\$56,671
	Office rent paid to Director related entity	\$7,920

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(462)
8.2 Cash and cash equivalents at quarter end (item 4.6)	797
8.3 Unused finance facilities available at quarter end (item 7.5)	2,000
8.4 Total available funding (item 8.2 + item 8.3)	2,797
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.05
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

Date: 26 October 2022

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

Notes

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