

ASX ANNOUNCEMENT

ECS Botanics Holdings Ltd (ASX:ECS)

28 February 2023



Half Year Financial Report: Focussed strategy drives record financial performance

Financial Highlights

- Half year revenue increased to a record \$6.98m, an increase of 196% on the prior corresponding period ("PCP") (H1 FY2022: \$2.34m)
- Cash receipts from customers more than doubled to \$6.32m an increase of 218% on PCP (H1 FY2022: \$1.99m)
- Loss after income tax reduced to \$1.36m, a 50% reduction on PCP (H1 FY2022: \$2.73m). This included a net loss of \$0.54m from the disposal of ECS Botanics Pty Ltd. The normalised operating loss after income tax, was \$0.83m, a 70% reduction on PCP.
- December quarter recorded a key milestone of positive quarterly cashflow.

Operational Highlights

- Approved and completed the expansion of the Victorian facility to 15 acres, more than doubling the area available for cultivation. Completed construction of 2 of 6 protective cropping enclosures.
- ECS exported the first shipment of Australian medicinal cannabis products to Switzerland
- Concluded the sale of Food and Wellness assets for \$0.25m and share sale of ECS Botanics Tasmanian Cannabis Farm for \$3m

ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company"), a leading medicinal cannabis business, is pleased to provide the following update on its financial progress for the six-month period ended 31 December 2022 ("H1 FY2023").

Total revenue for the half year was \$6.98m, an increase of 196% on the prior corresponding period ("PCP") (H1 FY2022: \$2.34m). Cash receipts from customers increased by \$4.34m (218%) from \$1.98m (H1 FY2022) to \$6.32m (1H FY2023). The significant increase in revenue and cash receipts was underpinned by strong and growing demand for the Company's cannabis oil and dried flower in Australia and overseas markets.

The Company's loss after income tax for the period was \$1.36m, which is a 50% decrease on the PCP. (H1 FY2022: \$2.72m). Costs of goods sold increased to \$6.27m from \$1.66m on the PCP, due to the scale up in production of medicinal cannabis products. These costs incorporate the cost to build inventory reflected as an \$1.88m increase in biological assets.

The Company completed all initiatives announced to the market on 14th June 2022, with the conclusion of the sale of the Tasmanian business and assets for \$3.0 million and the finalisation of the divestment of the Food and Wellness business for \$0.25m.



ECS held cash and cash equivalents of \$2.95m at the end of the half. Additionally, the company also holds an undrawn loan in place with NAB for \$0.80m which the company expects to increase shortly. Furthermore, the company reached cash flow positive in the December quarter and expects to continue investing for growth organically.

Following the Office of Drug Control approval for the facility expansion in August, construction of the security infrastructure and 2 of the 6 protected cropping enclosures ("PCE") were completed during the period. Three of the remaining PCE's have subsequently been constructed with the last one due for completion in February. The Company has also upgraded and added additional drying and trimming rooms bringing all the post-harvest facilities to the GMP standard required by the German regulators.

The Company onboarded three new key personnel, an experienced GMP Cannabis Quality Manager, a similarly experienced Post Harvest Manager, both replacement roles, joined in October. A PCE cultivation leader with 15 years' experience in cannabis cultivation, most recently as owner operator of a Californian cannabis farm, joined ECS in December.

Management commentary:

Managing Director, Nan-Maree Schoerie said: *"I am delighted that our revenues are growing rapidly, that we are building a more experienced leadership team, and that we are gaining an expansive customer base for both flower and oils. These key metrics together with the expansion, cements our foundation to drive more shareholder value through higher volumes and more cost-effective production. Our team continue to achieve the critical elements required to excel in a globally competitive market".*

-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:

Nan-Maree Schoerie

Managing Director

info@ecs-botanics.com