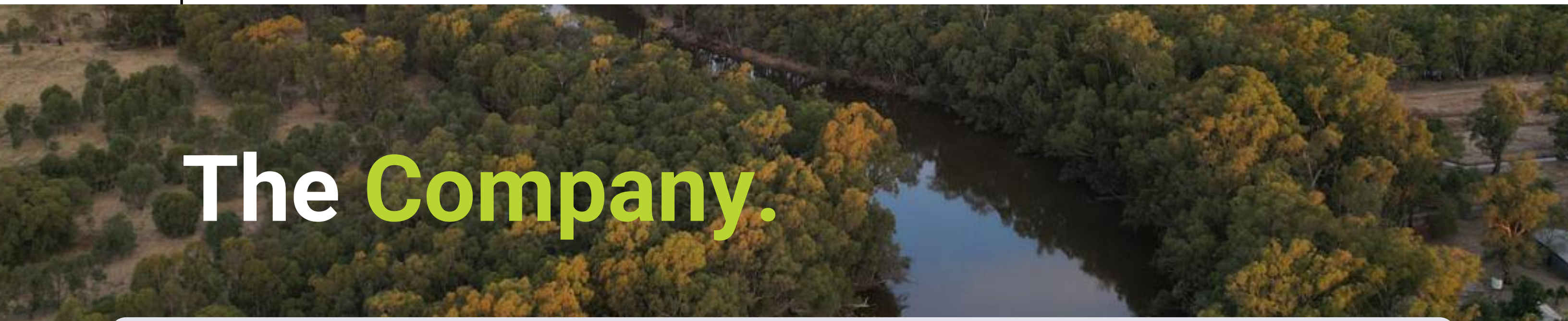
Annual Report

For The Year Ended 30 June 2023

ABN 98 009 805 298



The Company.

Situated in the Northwest of Victoria, alongside the Murray River, ECS has established itself as a prominent figure in the medicinal cannabis industry in Australia. Benefitting from an ideal environment for cannabis cultivation, ECS successfully produced 4.2 tonnes of medicinal cannabis during the 2023 financial year. The Office of Drug Control has recently approved an expansion of up to 13.7 tonnes of annual production which leaves ECS strategically poised to reinforce its standing in the medicinal cannabis industry as:

Australia's Leading Low-Cost Producer

Leveraging the abundant potential of sunlight and fertile soil, ECS stands out as the country's leading cultivator of medicinal cannabis at an efficient cost.

A Producer of Pharmaceutical-Grade Medicinal Cannabis

With $600m^2$ of pharmaceutical clean rooms at ECS' GMP licenced manufacturing facility, ECS medicinal cannabis products meet the most stringent pharmaceutical standards.

An Ecologically Responsible Enterprise

Embracing organic inputs, regenerative farming methods, and innovative renewable energy solutions, ECS leads the change as an environmentally conscious producer.

A Proven Financial Performer

ECS demonstrates impressive financial progress, revenues have increased significantly, with positive EBITDA and NPBT generated from continuing operations.

An Innovative Technology Leader

ECS is licenced to manufacture Cannabis Oil using patented VESIsorb® technology with absorption rates four times higher and onset three times quicker compared to existing marketed oils.

Having A Renowned Workplace Culture

Acknowledged as the "Best Place to Work" in the June 2023 Cannabiz Awards.

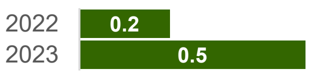
FY23 Highlights Continued Operations.

Trading Revenue ($m)

191%

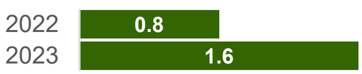
NPBT ($m)

150%



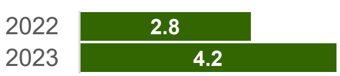
EBITDA ($m)

100%



Production (Tonnes)

51%

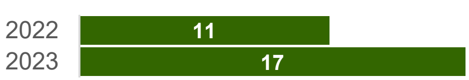


Licenced area (Acres)

114%

PCEs (Number)

55%



Annual Report.

For The Year Ended 30 June 2023

Contents

Corporate Directory.

Board of Directors

Mr Jeremy King	Non-Executive Chair, appointed 11 January 2017
Mr Michael Nitsche	Non-Executive Director, appointed 25 March 2019
Mr Alexander Keach	Non- Executive, appointed 11 July 2019
Ms Nan Maree Schoerie	Managing Director, appointed 15 March 2021

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

William Buck
Level 20, 181 William Street
Melbourne Vic 3000

Bankers

National Australia Bank Limited
2 Carrington Street
Sydney NSW 2000

Solicitors

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

Share Registry

Automic Pty Ltd
Level 5
191 St Georges Terrace
Perth WA 6000
Telephone: 1300 288 664

Financial Year 2023 Accomplishments.

Profitability Milestone
Achieved profitability and 10% EBIDTA on continuing operations

Growth in Sales
Secured large contracts exceeding $22 Million and several smaller contracts

Strategic Hiring
Appointed a technical manager with expertise in cannabis genetic breeding programs

Resilient Production
Despite a flood event, produced 4.2 tonnes of medicinal cannabis a 51% increase on prior year

Yield Optimisation
Undertaking a project to implement lighting and heating techniques for perpetual harvests, aimed at boosting yields and consistency

Expert Collaborations
Engaged renowned expert Dr Bryant Mason onto the advisory board, which includes both local and international industry specialists

Production Expansion
Expanded the Office of Drug Control licensed area from 7 acres to 15 acres and incorporated 6 new Protective Cropping Enclosures

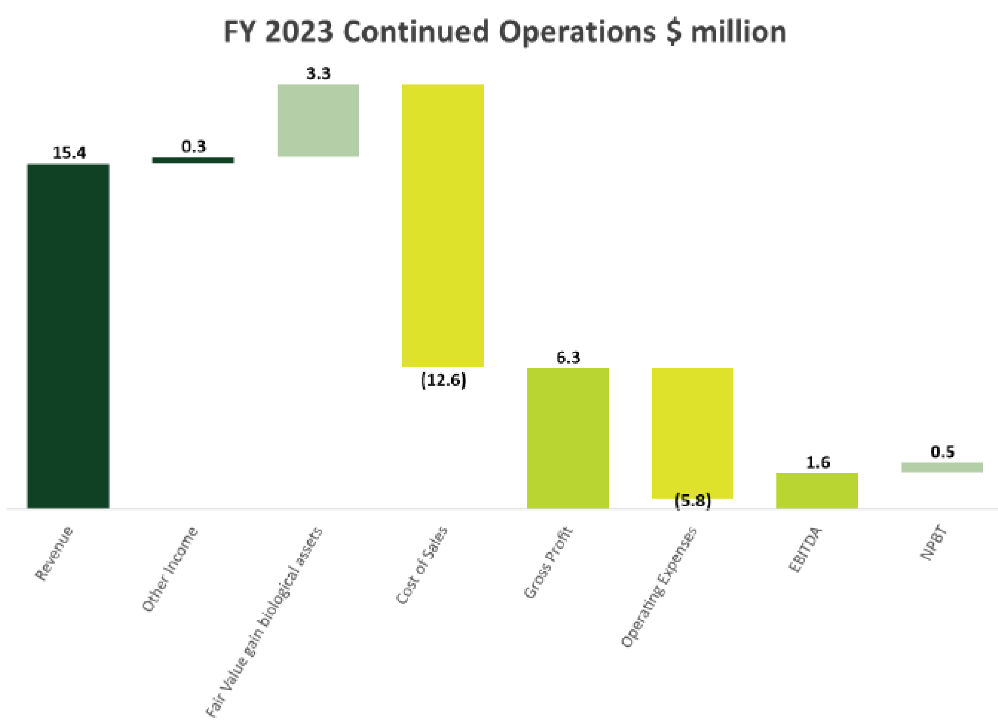
Technology Advancement
Secured a 10-year license agreement for VESIsorb® technology, providing ECS with a unique advantage in delivering orally prescribed cannabis dosages

Enhanced Manufacturing Standards
Upgraded the entire 600m2 manufacturing area to meet euGMP standards, including the addition of extra drying rooms

Strong ESG Credentials
Bolstered ESG credentials further through initiatives such as adding further solar power and launching RAP Med, a subsidized medicinal cannabis range catering to military veterans. With a culturally diverse team including 43% female employees

Financial Performance of Continued Operations

Due to the material nature of the divestment of ECS' Food and Wellness Assets and the Tasmanian Business that occurred in FY23, a proforma view of the Profit and Loss for Continued Operations for FY23 provides a more insightful view of ECS' underlying business.



Letter from The Chair.

Dear shareholders,

On behalf of the Board of Directors of ECS Botanics Holdings Ltd ("ECS"), I am pleased to present the 2023 Annual Report.

The 2023 financial year (FY23) was pivotal for ECS. one in which we made excellent progress to becoming **Australia's lowest-cost medicinal cannabis** cultivator, supplier, and manufacturer. This progress was achieved despite significant operational and logistic challenges posed by the Victorian floods in the first half of FY23 and the Company restructuring its operations, asset base and focus during the financial year.

We have met and exceeded significant milestones that have cemented our position as a leader in innovation, quality, and operational excellence in our production of **pharmaceutical-grade cannabis**. This positions us well for success as we service the growing need for medicinal cannabis and its therapeutical benefits in local and overseas markets.

Completion of Restructuring: In June 2022, the Board announced a restructuring of the business to allow it to service burgeoning medicinal cannabis market opportunities more effectively. This included a focus on pure-play medicinal cannabis production at its Victorian operations, the sale of the Tasmanian assets and business and the divestment of the industrial hemp food and wellness business division. These initiatives were completed during FY23, and we are already seeing the benefits.

Financial: Revenue has continued to grow strongly, with record revenue of $15.4 million, representing an impressive 191% increase over the previous year ($5.3 million). The surge in revenue reflects the increasing demand for our innovative and organic medicinal cannabis oils and dried flower, as well as some major contract wins.

ECS reported an EBITDA margin of 6% for the consolidated business for FY23, with a result of $1.0 million. Significantly, excluding disposed business units related to the restructuring, the Company achieved an EBITDA margin of 10% EBITDA ($1.58 million).

The business remains financially robust, with a comfortable cash balance of $2.5 million as of 30 June 2023.

Operational: Heartfelt thanks must go to all those employees and local community members who assisted to prevent the flooding of our Victorian facilities in the first half of FY23. This was a mighty effort.

We are proud of our **world-class operational facilities**, which continue to operate under stringent EU-GMP standards, reflecting our unwavering commitment to delivering products of the highest quality to consumers. With recent upgrades (including improved flood defence measures) and capacity increases, our advanced processing capabilities ensure regulatory standards are exceeded and the requirements of our international pharmaceutical customers are met.

Innovation and Intellectual Property: Horticultural innovation and the expansion of our intellectual property portfolio was a focus in FY23.

In June 2023, we were thrilled to enter a strategic partnership with Geocann, a global leader in drug delivery technology. This ten-year partnership empowers us to utilise Geocann's **VESIsorb®** technology to enhance the bioavailability and effectiveness of our cannabis products. This collaboration not only positions us at the forefront of the industry but also reflects our strong commitment to innovation and excellence.

In addition, as part of an emphasis on margin capture, the Company launched the first of its own brand dried flower products and has recently instigated a yield enhancement trial utilising solar power.

Team Culture: Importantly, the Company continues to demonstrate a positive corporate culture. In June 2023, at the prestigious 2023 Cannabiz Awards, we were awarded “Best Place to Work,” and “Cultivator or Manufacturer of the Year”. These awards speak to our commitment to fostering a positive workplace culture and to excellence in cultivation and manufacturing. But they are also a testament to Managing Director Nan Maree Schoerie. Nan herself was recognised with the "Business Leader of the Year" award – this was richly deserved.

Finally, I would like to thank my fellow Board of Directors for their ongoing support and guidance, along with the entire team, including our wonderful staff and management team, led by Managing Director, Nan Maree Schoerie. Our team is looking to embrace the future as we remain dedicated to our core mission of enhancing well-being through quality offerings and innovation. The positive results and progress we achieved in FY23 set the stage for sustained and profitable growth in FY24. We are excited about the opportunities that lie ahead, driven by our unwavering focus on operational excellence, product innovation and strategic partnerships.

Sincerely,

Jeremy King
Non-Executive Chair

Managing Director's Message.

Dear Fellow Shareholders,

FY23 was a defining year for ECS Botanics, marking our transition to a profitable and sustainable business focused on producing pharmaceutical-grade medicinal cannabis, as **Australia's lowest cost** most sustainable producer.

I am incredibly proud of our achievements and excited about our future as ECS is on a pathway to becoming a market leader in the medicinal cannabis industry in this country.

The initiatives this year have delivered profitable growth in the short term through the divestment of parts of the business and set us up as an innovative medicinal cannabis cultivator and manufacturer, utilising progressive and innovative cultivation methods to produce EU-GMP standard cannabinoid products for several markets.

The financial results of our continued operations reflect well on these decisions. Revenue increased by 191% to $15.4 million (FY22:$5.3 million)and for the first time the business delivered positive EBITDA of $1.6 million and NPBT of $0.5 million. These results are outstanding when benchmarked against locally listed and international medicinal cannabis companies.

In August 2022, the Office of Drug Control approved the expansion of our facility to 15 acres with 26 protective cropping enclosures (PCEs), previously seven acres and 12 PCEs. We constructed six PCEs and have prepared a section of the new fields for the coming season.

This will allow ECS to use sustainable, organic methods, adopting **regenerative and organic** horticultural practices at our cultivation facility to produce up to 13.7 tonnes of medicinal cannabis and manufacture its products to EU-GMP standards, selling **pharmaceutical-grade products** to customers in Australia, UK, Germany, Switzerland, and New Zealand.

To reach this output some further investment would be required to construct the additional nine PCEs and to further expand our post-harvest processing facilities. We take a considered and deliberate approach to balance sheet management and in the coming year cultivation focus will be on maximising production from existing assets. This will increase yields and improve margins, which in turn will allow ECS to invest in further expansion more effectively.

These results are a credit to the exceptional ECS Botanics team. Our diverse workforce is committed to delivering the best for our customers and the energy and passion they bring to work every day, is why we are successful. We have attracted several talented experts from all over the world who bring a wealth of knowledge in genetics, cultivating, processing, and manufacturing of medicinal cannabis. They believe in our sustainable approach to growing cannabis and work hard to demonstrate that good business can also be good for the environment. Our ability to continue to operate and supply our customers when surrounded by flood waters from November to January highlights this high level of employee commitment.

Despite the interruption created by the floods, our facility produced a record 4.2 tonnes of product, a 51% increase on the prior year. Our sustainable cultivation model allows us to rebuild our soils more effectively and minimise our carbon footprint, at a lower cost than other growing methods.

There was some conjecture in the market over the benefits of natural growing methods in organic soil under the sun versus hydroponics, but we have proven there is nothing that can replicate the sun. Not only is it free, it produces up to **10x more flower-yield** when compared to indoor farms and is also better for plant growth than any manufactured light. In addition, our low-cost model of natural growing much more effectively absorbs competitive pressures, whether they come from inputs (such as power prices or carbon taxes) or from the competition.

In the last financial year, we were awarded three large contracts worth $21.8 million commencing in the new financial year. Our international business will achieve the most substantial growth as we are nearing completion of obligatory regulatory requirements that will then allow us to export to both Germany and Poland.

In November 2021 we announced a partnership in extraction with Sunpharma, the world's fourth-largest pharmaceutical generics company. Sunpharma has completed the installation of the CO2 extractor and is currently commissioning the unit with a view to starting extracting cannabis resin for ECS in November as part of an offset agreement. This will also improve our profitability.

Our most exciting achievement in the financial year was securing a 10-year licence agreement for **VESIsorb®.** This licence provides ECS with access to world-leading technology without the initial costs and risks associated with drug development.

It positions ECS as a technology leader in the formulation of medicinal cannabis oils. Not only does VESIsorb® increase the bioavailability of cannabinoids by **400%, making it more cost-effective,** but it also is uniquely absorbed by the user three-times faster.

This is an especially important advantage, as many medical users who would prefer to use an oral liquid, resort to inhalation due to the delayed absorption of cannabinoids into the blood plasma when prescribed as an oil.

	AUCO-24 (ng/ml*h)	Cmax (ng/ml)	Tmax (h)
VESIsorb® CBD	32.6	13.5	1
MCT - CBD	19.2	3.1	3

VESIsorb® is a tried and tested SEDDS (Self Emulsifying Drug Delivery System) technology used in many complementary medicines and nutritional supplements as well as cannabis, medicines, drinks, and edibles in the USA. The safety and efficacy of the technology in cannabidiol products is well documented and the processes required to launch the product will only take months, not years.

Leveraging ECS's **pharmaceutical GMP** (Good Manufacturing Practice) facilities and further developing our intellectual property is a critical step in our journey to building a more valuable business. We have built a solid foundation as our core underlying business generates cash and we have a **capital light** business model that allows us to grow and manage scale as demand dictates. Investing in pharmaceutical biotechnology will be an added focus for us in future which will allow us to offer sustainable returns over the long term through our ability to manufacture an increasing number of products to EU GMP standards, selling pharmaceutical-grade products to customers in Australia and a growing number of overseas markets.

I am very thankful for the team's efforts in delivering a record year for the Company. The team has proven reliable and agile in an especially unpredictable time, and I thank them all for their hard work as we continue to execute our strategy. I would also like to thank the Board, our stakeholders, customers, and shareholders for their continued support throughout the year. I look forward to sharing future growth and success.

Nan-Maree Schoerie
Managing Director

Directors' Report.

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 2023.

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.

Jeremy King | Non-Executive Chair

Bachelor of Law
Appointed NED(Non-Executive Director Chair) 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 chair of ECS Botanics 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 C29 Metals Limited from 8 December 2022
- Non-Executive Director of Smart Parking Limited from 1 August 2012
- Non-Executive Chair Redcastle Resources Limited from 8 June 2016 and
- Non-Executive Director of Sultan Resources Limited from 16 May 2018

Alexander Keach | Non-Executive Director

Bachelor of Rural Business Management Finance

Alex is a graduate of the Australian Institute of Company Directors (GAICD). Prior to founding ECS Botanics, Alex had a diverse background with 15 years' experience working in agriculture and financial markets as a senior manager, investor, adviser, and business owner. Alex is a creative and forward thinker with both the practical, strategic and leadership skills required to turn ideas into reality.

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

Michael Nitsche | Non-Executive Director

Graduate Diploma of Applied Finance, Wealth Management, Diploma of Financial Services.

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.

Directors' Report.

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

Nan Maree Schoerie | Managing Director
National Diploma of Analytical Chemistry

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. Nan has a National Diploma in Analytical Chemistry and is a Graduate of the Australian Institute of Company Directors (GAICD).

Mauro Piccini | Company Secretary
Bachelor of Accounting and Taxation

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 Aurum Resources Limited (ASX: AUE), Red Mountain Mining Ltd (ASX:RMX), and Queensland Pacific Metals Limited (ASX:PM1). 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 Jeremy King	2,765,152	757,576	5,000,000
Mr Alex Keach	100,253,739	-	-
Mr Michael Nitsche	-	-	-
Nan Maree Schoerie	106,000,000	-	15,000,000
Total	**209,018,891**	**757,576**	**20,000,000**

Review and Results of Operations

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 supplying both local and overseas markets.

Directors' Report.

Cash and Funding

The Company secured $2 million commercial loan facility from the National Australia Bank (NAB). The funding was reduced after the divestment of the Tasmanian assets but reinstated to $2 million in June 2023. The NAB also provides ECS with access to asset financing.

As at 30 June ECS retained a cash balance of $2.5 million and the NAB loan facility is undrawn.

Expansion of Cultivation and Processing Facilities

In August 2022, the Federal Office of Drug Control (ODC) approved the Company's application to add an additional 15 protective cropping enclosures and more than double the cultivation area from 23,210m2 to 54,410m2. The expansion of the facility was delayed slightly by the floods. Stage 1 of the expansion was to erect 6 PCE's and complete the security and basic infrastructure to the field expansion. The PCE's are all commissioned, and the expansion has been audited and approved by the ODC.

In addition to adding more cultivation area ECS upgraded our 600m^2 post-harvest processing facility to Clean Room standards (GMP). The facility has filtered air and six environmentally controlled dry rooms as well as two dual purpose processing/drying rooms. Having a GMP post-harvest facility is required to meet certain European country standards. This standard is not required for Australian flower meaning ECS produces some of the highest quality, cleanest flower in Australia.

Floods

In October 2022, the company invested in flood mitigation which included the construction of substantial levee banks in addition to plant and equipment, including a generator able to maintain all normal site operations in the event of a power failure. While the property had never been known to flood, the major Victorian flood event did lead to the site being surrounded by floodwater. These investments protected the site and will ensure that the site remains secure from any potential future flood events. The facility continued to operate throughout the period despite road closures. The floods did cause delays in the construction of the PCE's as contractor access was restricted.

Leadership

The Company onboarded four internationally experienced cannabis professionals to strengthen our leadership team.

The Company welcomed Bryant Mason to its advisory board. Bryant also known as the "the soil doctor," specialises in organic soil and crop mineral nutrition, and consults to a considerable number of North American Cultivators. With Bryant and Tad Hussey on the ECS cultivation advisory board the Company has access to two of the most respected authorities, and most connected experts, in the Cannabis industry.

In February, 2023, Alex Keach transitioned from an executive director to a non-executive director. Alex continues to actively support the Company in terms of Investor Relations and business development.

Sales and Marketing

ECS signed an agreement with Germany company Ilios Santė GmbH to supply a minimum of AUD$9.9m of GMP manufactured medicinal cannabis products over 3 years. Ilios Santė is a fully licensed wholesaler with the authorisations and permissions to import and distribute narcotics and other pharmaceutical products. To qualify to supply product to Germany, ECS was audited by a third-party German Quality Practitioner (QP)

Directors' Report.

to ensure that our products meet EU GMP. This is a higher standard than what is required by the Australian TGA (Therapeutic Goods Administration), and the success of this audit highlights the superior quality standards of ECSs production of medicinal cannabis flower. These binding offtake agreements demonstrate the scaling benefits of recent capacity upgrades to improve yields, the addition of more outdoor fields and the increased capacity of the protective cropping enclosures.

ECS launched its own brand "RAP Med" of medicinal cannabis for Military Veterans. The products will be discounted for veterans including those not yet covered by the Department of Veteran Affairs (DVA).

Intellectual Property in Pharmaceuticals

ECS Botanics entered an exclusive partnership with Geocann, a global industry leader in drug delivery technologies that optimise the performance of phytocannabinoids. The ten-year deal allows ECS the exclusive use of their VESIsorb® patented technology, in medicinal cannabis-based formulation products in Australia, New Zealand and the United Kingdom. The exclusivity extends to Europe for ECS product formulations. VESIsorb® has been clinically proven in peer-reviewed published studies(i) to safely mitigate the extensive first-pass metabolism of cannabinoids and terpenes, thereby delivering higher blood plasma levels with a much lower dose at a more rapid rate for greater therapeutic benefits.

A scientific evaluation of VESIsorb® as a delivery system confirms the:

- Concentration-time profile is improved by almost two times;
- Absorption is over four times better; and
- Time to act is three times faster than current methods on the market.

The partnership with Geocann will allow ECS to utilise the VESIsorb® technology in its products, to further position the Company's products as market-leading. In addition, both ECS and Geocann have agreed to collaborate on further innovative product development. ECS anticipates that that VESIsorb® technology will position ECS as the market share leader in medicinal cannabis oils and capsules.

Production

Over the past 12 months, ECS produced 4.25 tons of dried cannabis flower, all of which is scheduled to be sold into the medicinal market in Australia or overseas, an increase of 51.5% on the previous year.

The significant increase in production is due to the successful implementation of six additional protective cropping enclosures (PCE), which are now fully operational and bring the total to 17 PCEs. Additionally, the existing outdoor fields also increased production, even allowing for a prolonged, wet spring which affected outdoor yields.

ECS is conducting a trial within one of its newly established PCEs to extend the growing season and production capacity utilising recently installed additional 75kW of solar photovoltaic for light and heat. The trial aims to assess the commercial and quality implications of incorporating supplemental lighting and heating, thereby enabling the addition of more crop cycles. If successful, this initiative will provide significant yield advantages.

Recognition through multiple awards at the 2023 Cannabiz Awards

At the inaugural Cannabiz Awards held on 8 June 2023, ECS secured multiple accolades, including the highly coveted titles of Best Place to Work, Cultivator / Manufacturer of the Year, and Business Leader of the Year.

Directors' Report.

Australian Grown

During the year ECS was granted approval to display the Australian grown and logo on products. This is important to our customers, many of whom wish to support local cultivators.

Directors' Report.

Non-Financial Material Operating Risks

Set out below is a non-exhaustive list of risk factors associated with the business of ECS:

Risk Area	Mitigation
Regulatory Risk	▪ ECS Botanics is licenced by the Therapeutic Goods Administration, the Federal Office of Drug Control and the Victorian Department of Health and Human Services. ▪ Failure to comply with our licence terms and conditions could result in a fine, a suspension of our operations or in extreme circumstances a loss of our licence. ▪ ECS regularly engages with the regulators and has open and productive dialogue at the highest level. ECS has been subject to announced and unannounced audits, which resulted in improvement recommendations by the auditors. The Company has a dedicated Regulatory Officer.
Risks associated with product quality	▪ Product that does not comply with the Quality standards (TGO93) or medicine labelling requirements (TGO91) could result in damage to our customers' brands or in extreme circumstances a product recall. ▪ As Cannabis flower is a botanical product with a limited shelf life the risk of imperfect flower that meets the TGO93 still exists, and customer complaints are received and investigated. ▪ ECS follows all the requirements of the TGA in terms of in-process quality procedures and checks. Quality complaints are reviewed monthly by the management team. ECS holds $20m product liability insurance and is in the process of identifying a suitable product recall insurance policy.
Risk of a serious workplace safety incident	▪ Farm-related safety incidents are one of the highest causes of workplace fatalities in Victoria and ECS sees safety as our highest priority. Incidents causing death or serious injury will negatively impact the company's operations. ▪ The Company has a Safety Management Committee and reviews all identified hazards and incident reports. The Company undertakes on-the-job safety training and our safety procedures apply equally to contractors and staff. ▪ Our focus for the coming year is to identify all critical risks, including mental health with a view to introducing Critical Risk Protocols which will go above and beyond our standard safety policies and procedures. ECS is committed to protecting our employees and our environment from harm.
Competitive Risk	▪ The medicinal cannabis industry is undergoing rapid growth and an increasing volume of demand which could lead to oversupply.

Directors' Report.

Agricultural Risks	▪ Risk associated with agriculture are inherent to the industry. These risks relate to weather events, pests' and disease all of which may impact flower yield. ▪ Loss of yield may adversely impact ECS' revenue, profit and business operations.
Contract Manufacture Risk	▪ ECS relies on third parties to undertake certain manufacturing activities such as extraction, formulation and bottling. ▪ If a contract manufacturer was unable to perform these activities supply may be disrupted which could impact ECS' revenue, profit and business operations.

The risks noted above are not intended to be a list of all risk factors that could impact the business of ECS.

Capital Raising

ECS Botanics did not undertake any capital raising during the financial year ended June 2023.

Debt Financing

In August 2022, ECS secured a $2,000,000 commercial loan facility from the National Australia Bank (NAB). This facility was undrawn as at 30 Jun 2023.

In addition, NAB provides Asset Finance facilities with limit of $500,000 of which $330,097 was utilised as at 30 June, 2023.

Cash

The Company held a cash balance of $2,542,260 as at 30 June 2023.

Financial Performance

The financial results of the Company for the year ended 30 June 2023 are:

	30-Jun-23 ($)	30-Jun-22 ($)
Cash and cash equivalents	**2,542,260**	1,866,181
Net assets/(liability)	**22,202,194**	22,169,674
Revenue	**15,673,715***	5,613,739*
Net loss after tax	**(81,759)**	(1,115,436)

*Revenue from continuing operations.

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.

Directors' Report.

Significant Changes In The State of Affairs

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

Sale of The Assets of The ECS Botanics Food and Wellness Business

As part of the Company's revised strategy to focus on the high growth of medical cannabis business and reducing operating expenses, ECS sold the assets of the hemp food and wellness business for $250,000 (plus inventory on hand) to Ananda Food, a subsidiary of Ecofibre Limited. Settlement was completed on 19 August 2022. The purchasers use of the ECS Botanics registered trademarks expired on 13 July 2023.

Sale of The Tasmanian Business and Assets

On 24 October 2022, ECS entered into an unconditional share purchase agreement with Blue Buffalo Pty Ltd for the sale of its wholly owned subsidiary, ECS Botanics Pty Ltd. The financial settlement was successfully finalised on 3 November 2022, with the sales price set at $3.0 million. The proceeds from the sale have been directed towards supporting the ongoing expansion of the Victorian medicinal cannabis facility.

Events After Reporting Date

As of the reporting date of these financial statements, management has reviewed subsequent events that occurred between the reporting date and the date of authorisation for issue. No material events or transactions have been identified that would require adjustment to, or disclosure in, the financial statements.

Board Appointments and Resignations

There were no changes to the ECS Botanics board during the 2023 financial year.

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 Jeremy King	3	3
Mr Alex Keach	3	3
Mr Michael Nitsche	3	3
Ms Nan-Maree Schoerie	3	3

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

Directors' Report.

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.

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2023 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.

Key Management Personnel Disclosed in this Report

Key Management Personnel of the Company during the year:

Mr Jeremy King	Non-Executive Chair
Mr Michael Nitsche	Non-Executive Director
Mr Alex Keach	Non-Executive Director (appointed Non-Executive Director on 10 February 2023 previously Executive Director)
Ms Nan-Maree Schoerie	Managing Director

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 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 comparable 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.

3. Non-executive Remuneration Approvals

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board of Directors. The Board of Directors may, from time to time, receive advice from independent remuneration consultants to ensure nonexecutive directors' fees and payments are appropriate and in line with the market.

The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Directors' Report.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum annual aggregate remuneration is currently set at $300,000.

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 2023 is set out below:

30-Jun-23	Short-term Employee Benefits			Post-Employment	Long - term benefits	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Annual Leave	Super-annuation	Long service leave	Performance rights	
	$	$	$	$	$	$	$
Directors							
Alex Keach *	121,036	-	35,892	13,633		-	170,561
Jeremy King	36,000	-	-	3,780		16,481	56,261
Michael Nitsche	36,000	-	-	3,780		-	39,780
Nan Maree Schoerie	227,069	-	7,890	23,842	14,015	49,785	322,601
Total	**420,105**	-	**43,782**	**45,035**	**14,015**	**66,266**	**589,203**

*On 10 February 2023 Mr Alex Keach has resigned as the Head of Corporate Development and an executive director. Mr Keach remains on the Board as a non-executive director.

Table 2 – Remuneration of KMP of the Company for the year ended 30 June 2022 is set out below:

30-Jun-22	Short-term Employee Benefits			Post-Employment	Long - term benefits	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Annual Leave	Super-annuation	Long service leave	Performance rights	
	$	$	$	$	$	$	$
Directors							
Alex Keach	177,273	-	1,656	17,727	-	-	196,656
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	-	(8,335)	17,850	-	-	188,011
Total	**467,369**	**-**	**(6,679)**	**42,777**	**-**	**-**	**503,467**

Resigned 13 June 2022.

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:

Directors' Report.

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

	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
Directors	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Alex Keach	**100%**	**100%**	**-**	**-**	**-**	**-**
Jeremy King	**71%**	**100%**	**-**	**-**	**29%**	**-**
Michael Nitsche	**100%**	**100%**	**-**	**-**	**-**	**-**
Nan Maree Schoerie	**85%**	**100%**	**-**	**-**	**15%**	**-**

	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
Directors	2022	2021	2022	2021	2022	2021
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 2023	**Balance at 01/07/2022**	**Granted as Remuneration**	**On Exercise of Options**	**Net Change – Other**	**Balance at 30/06/2023**
Directors					
Alex Keach	**100,253,739**	**-**	**-**	**-**	**100,253,739**
Jeremy King	**1,515,152**	**-**	**-**	**1,250,000**	**2,765,152**
Michael Nitsche	**-**	**-**	**-**	**-**	**-**
Nan Maree Schoerie	**105,000,000**	**-**	**-**	**1,000,000**	**106,000,000**
Total	**206,768,891**	**-**	**-**	**2,250,000**	**209,018,891**

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

Directors' Report.

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

30 June 2023	Balance at 01/07/2022	Granted as Remuneration	Expiry/Elapsed Performance Rights	Converted Performance Rights	Balance at 30/06/2023
Directors					
Jeremy King	**-**	**5,000,000**	**-**	**-**	**5,000,000**
Alex Keach	**27,558,290**	**-**	**(27,558,290)***	**-**	**-**
Michael Nitsche	**-**	**-**	**-**	**-**	**-**
Nan Maree Schoerie	**-**	**15,000,000**	**-**	**-**	**15,000,000**
Total	**27,558,290**	**20,000,000**	**(27,558,290)**	**-**	**20,000,000**

***Expiry of 27,558,290 performance rights granted on 11 July 2019**

30 June 2022	Balance at 01/07/2021	Granted as Remuneration	Expiry/Elapsed Performance Rights	Converted Performance Rights	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	-	-	-	-	-
Total	41,531,736	-	-	(13,843,912)	27,687,824

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

30 June 2023	Balance at 01/07/2022	Granted as Remuneration	On Exercise of Options	Net Change – Other	Balance at 30/06/2023
Directors					
Jeremy King	757,576	-	-	-	757,576
Alex Keach	-	-	-	-	-
Michael Nitsche	-	-	-	-	-
Nan Maree Schoerie	-	-	-	-	-
Total	757,576	-	-	-	757,576

Directors' Report.

Table 6 - Quoted option holdings of KMP (direct and indirect holdings) continued

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. Jeremy King – NED Chair
- Contract: Commenced on 8 May 2019
- Director's Fee: $36,000 plus superannuation per annum.
- Term: appointment as a Non-Executive Director is in accordance with the Constitution of the Company and subject in particular to the provisions dealing with retirement by rotation and the various provisions relating to the election of directors
- Termination: in accordance with the Constitution of the Company

2. Nan Maree Schoerie – Managing Director
- Contract: Commenced on 15 March 2021
- Director's Fee: $265,000 including superannuation per annum.
- 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.

3. Alex Keach – NED
- Contract: Commenced on 10 February 2023
- Director's Fee: Initially set at $195,000 including superannuation per annum. This has now been revised to $36,000 annually plus superannuation following Alex transition to the role of Non-Executive Director from 10 February 2023.
- Term: appointment as a Non-Executive Director is in accordance with the Constitution of the Company and subject in particular to the provisions dealing with retirement by rotation and the various provisions relating to the election of directors
- Termination: in accordance with the Constitution of the Company

4. Michael Nitsche – NED
- Contract: Commenced on 8 May 2019
- Director's Fee: $36,000 plus superannuation per annum.
- Term: appointment as a Non-Executive Director is in accordance with the Constitution of the Company and subject in particular to the provisions dealing with retirement by rotation and the various provisions relating to the election of directors
- Termination: in accordance with the Constitution of the Company

Directors' Report.

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 and rights. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

During this reporting period, ECS has issued four tranches of Rights totalling 20,000,000 to the Chair and Managing Director. The rights were subject to ECS shareholder approval which was obtained at the Company's Annual General Meeting ("AGM") held on 26 October 2022. During the reporting period, ECS management engaged an independent valuer to measure the fair value of the rights issued. A total fair value has been determined of $218,125 of which $66,266 has been expensed to the Chair and Managing Director during the reporting period according to the vesting period. The terms of the rights issued and key inputs used in the valuation have been summarised below:

Tranche A totalling 3,750,000 Rights subject to a non-market based vesting condition -the number of rights that vest is conditional on ECS achieving audited revenue of over AU$20,000,000 over a 12-month continuous period between the issue date and date of expiry;

Tranche B totalling 3,750,000 Rights subject to a non-market based vesting condition - the number of rights that vest is conditional on ECS achieving an EBIT of at least 6.5% based on a minimum EBIT of AU$1,300,000 between the issue date and date of expiry;

Tranche C totalling 6,250,000 Rights subject to a market based vesting condition - the number of rights that vest is conditional on ECS achieving a target company share price of AU$0.050 based on a 15-day VWAP between the issue date and date of expiry;

Tranche D totalling 6,250,000 Rights subject to a market based vesting condition - the number of rights that vest is conditional on ECS achieving a target company share price of AU$0.075 based on a 15-day VWAP between the issue date and date of expiry;

Tranche	**A**	**B**	**C**	**D**
Grant Date	26-10-2022	26-10-2022	26-10-2022	26-10-2022
Number of Rights	3,750,000	3,750,000	6,250,000	6,250,000
Expected life of the right (days)	790	790	790	790
Expected volatility	-	-	96.03%	96.03%
Management probability	100%	0%	100%	100%
Share price at grant date ($)	$0.0220	$0.0220	$0.0220	$0.0220
Fair value per right ($)	$0.0220	$0.0220	$0.0141	$0.0076
Total value at grant date ($)	$82,500	$0	$88,125	$47,500

Directors' Report.

E. Share-based Compensation continued

Key Management Personnel	Tranche	No. of Rights	Fair value per right ($)	Total Value ($)
Jeremy King	C	2,500,000	0.0141	35,250
Jeremy King	D	2,500,000	0.0076	19,000
Jeremy King Total		**5,000,000**		**54,250**
Nan-Maree Schoerie	A	3,750,000	0.0220	82,500
Nan-Maree Schoerie	B	3,750,000	0.0220	-*
Nan-Maree Schoerie	C	3,750,000	0.0141	52,875
Nan-Maree Schoerie	D	3,750,000	0.0076	28,500
Nan-Maree Schoerie Total		**15,000,000**		**163,875**
Grand Total		**20,000,000**		**218,125**

*Due to the probability of achieving the milestones is 0%, Tranche B is valued to nil.

All tranches of Rights require continuous services of Mr King as Chair and Ms Schoerie employed by the Company.

Additional information

	2023 $	2022 $	2021 $	2020 $	2019 $
Sales Revenue	15,673,715*	5,613,739*			
EBITDA	1,375,045	919,128	1,384		
EBIT	1,002,094	(339,792)	(4,900,634)	(4,544,643)	(567,950)
Profit after income Tax	(41,248)	(1,103,293)	(5,088,560)	(4,567,021)	(568,669)

* Revenue from continuing operations.

	2023	2022	2021	2020	2019
Share price at financial year end ($)	0.023	0.023	0.039	0.019	0.065
Total dividends declared	-	-	-	-	-
Basic earnings per share (cents per share)	(0.0074)	(0.1084)	(0.6400)	(0.9000)	(1.3700)

F. Equity Instruments Issued on Exercise of Remuneration Options

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

G. Loans with KMP (latest 4E data)

There was $nil loan made to KMP at 30 June 2023. (At 30 June 2022, a small loan of $445 made to Alex Keach, which was subsequently repaid after the closing of the previous reporting period.)

H. Other Transactions with KMP

	30-Jun-23	30-Jun-22
The following transactions occurred with related parties:	$	$
Mirador Corporate Pty Ltd(i)	102,264	141,955
PharmOut(ii)	70,629	203,115
Qiksolve Pty Ltd(iii)	30,146	7,579
Rental payments made to Schoerie SMFS	-	15,160
Australian British Chamber of Commerce	-	31,680
Small loan to Alex Keach	-	445
Total	**203,039**	**399,934**

Directors' Report.

(i). Mirador Corporate Pty Ltd was paid for company secretarial and financial management services to the Company, of which Jeremy King is a director.
(ii). PharmOut was paid for regulatory advice, an entity owned by a close family member of Nan-Maree Schoerie.
(iii). Qiksolve Pty Ltd was paid for IT services, an entity owned by a close family member of Nan-Maree Schoerie.

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 2023.

I. Equity Instruments Issued on Exercise of Remuneration Options

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

J. Voting of Shareholders at Last Year's Annual General Meeting

ECS Botanics Holdings Limited received more than 93% on its remuneration report for the 2022 financial year.

Directors' Report.

End of Audited Remuneration Report.

Directors' Report.

Shares under option

Unissued ordinary shares of ECS Botanics Holdings Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
14 Jan 2022	17 Dec 2023	$0.08	112,000,068

No ordinary shares of ECS Botanics Holdings Ltd were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted.

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

William Buck Audit (Vic) Pty Ltd (William Buck) has been appointed the Company's Auditors from 6 July 2023 in accordance with section 327 of the Corporations Act 2001.

The appointment follows the resignation of BDO Audit (WA) Pty Ltd, and ASIC's consent to BDO's resignation.

Officers of the Company who are former partners of William Buck

There are no officers of the company who are former partners at William Buck Audit (Vic) 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.

Directors' Report.

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:

(i) 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

(i) 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 (Including Independence Standards).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2023 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 35.

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

Nan-Maree Schoerie

Managing Director
31 August 2023

William Buck
ACCOUNTANTS & ADVISORS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ECS BOTANICS HOLDINGS LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins
Director
Melbourne, 31 August 2023

Level 20, 181 William Street, Melbourne VIC 3000 +61 3 9824 8555 vic.info@williambuck.com williambuck.com

Consolidated Statement of Profit or Loss and Other Comprehensive Income.

	Note	2023 $	2022 $
Revenue from continuing operations			
Revenue	4	**15,388,929**	5,298,588
Other income	4	**284,786**	315,151
Expenses			
Corporate expenses	5	(1,802,800)	(1,435,431)
Cost of sales	5	(12,618,685)	(3,879,351)
Employment and consulting	5	(3,240,139)	(1,062,537)
Fair-Value gain/(loss) on biological assets	11	3,268,811	1,628,298
Inventory impairment	11	(727,461)	(566,726)
Research and development expenses	5	(21,559)	(119,664)
Finance costs		(40,511)	(3,940)
Profit before income tax		**491,371**	**174,388**
Income tax benefit/(expense)		-	(8,203)
Profit from continuing operations		**491,371**	**166,185**
Loss from discontinued operation, net of tax	3	**(573,130)**	(1,281,621)
Loss for the period		**(81,759)**	**(1,115,436)**
Other comprehensive income			
Other comprehensive income/(loss) for the period, net of tax		-	-
Other comprehensive income/(loss) for the period, net of tax		**-**	**-**
Total comprehensive loss attributable to the members of ECS Botanics Holdings Limited		**(81,759)**	**(1,115,436)**
Loss per share from discontinued operations attributable to the members of ECS Botanics Holdings Limited			
Basic loss per share (cents)	23	(0.0518)	(0.1245)
Diluted loss per share (cents)	23	(0.0518)	(0.1245)
Profit per share from continuing operations attributable to the members of ECS Botanics Holdings Limited			
Basic earnings per share (cents)	23	0.0444	0.0161
Diluted earnings per share (cents)	23	0.0395	0.0146
Loss per share for the year attributable to the members of ECS Botanics Holdings Limited			
Basic loss per share (cents)	23	(0.0074)	(0.1084)
Diluted loss per share (cents)	23	(0.0074)	(0.1084)

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.

	Note	30-Jun-23 $	30-Jun-22 $
Assets			
Current assets			
Cash and cash equivalents	7	2,542,260	1,866,181
Trade and other receivables	8,9	2,545,694	1,962,708
Deposits and advances	10	1,061,875	213,198
Inventory	11	7,965,058	6,086,868
Biological assets		-	42,957
Non-Current assets held for sale	12	-	4,737,318
Total current assets		**14,114,887**	**14,909,230**
Non-current assets			
Plant and Equipment	15	7,570,493	5,206,411
Intangible assets	13	2,514,280	2,622,499
Goodwill	14	1,050,000	1,050,000
Other Non-current trade receivables	9	877,800	-
Investment accounted for using the equity method	16	-	33,476
Total Non-current assets		**12,012,573**	**8,912,386**
Total assets		**26,127,460**	**23,821,616**
Liabilities			
Current liabilities			
Trade and other payables	17	2,273,618	873,560
Employee provisions and payables	18	329,807	237,443
Contract liabilities	19	991,744	521,602
Hire purchase liability	20	68,974	19,337
Total current liabilities		**3,664,143**	**1,651,942**
Non-current liabilities			
Hire purchase liability	20	261,123	-
Total Non-current liabilities		**261,123**	**-**
Total liabilities		**3,925,266**	**1,651,942**
Net Assets		**22,202,194**	**22,169,674**
Equity			
Contributed equity	21	32,786,341	32,786,341
Reserves	22	364,853	250,574
Accumulated losses		(10,949,000)	(10,867,241)
Total equity		**22,202,194**	**22,169,674**

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

Consolidated Statement of Changes in Equity.

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
At 1 July 2022	**32,786,341**	**250,574**	**(10,867,241)**	**22,169,674**
Loss for the year	-	-	(81,759)	81,759)
Total comprehensive income/(loss) for the year after tax	-	-	(81,759)	(81,759)
Transactions with owners in their capacity as owners:				
Issue of share capital (net of costs)	-	-	-	-
Issue of options	-	-	-	-
Vesting of performance rights	-	114,279	-	114,279
Balance at 30 June 2023	**32,786,341**	**364,853**	**(10,949,000)**	**22,202,194**

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
At 1 July 2021	24,870,764	1,970,574	(9,751,806)	17,089,532
Loss for the year	-	-	(1,115,436)	(1,115,436)
Total comprehensive income/(loss) for the year after tax	-	-	(1,115,436)	(1,115,436)
Transactions with owners in their capacity as owners:				
Issue of share capital (net of costs)	6,165,578	-	-	6,165,578
Issue of options	-	30,000	-	30,000
Vesting of performance rights	1,750,000	(1,750,000)	-	-
Balance at 30 June 2022	32,786,342	250,574	(10,867,242)	22,169,674

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

Consolidated Statement of Cash Flows.

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		16,064,254	5,692,748
Payment to suppliers and employees		(15,676,255)	(10,404,104)
Interest Received		23,680	617
Interest paid		(9,000)	(1,942)
Net cash inflow/(outflow) from operating activities	7(a)	**402,679**	(4,712,681)
Cash flows from investing activities			
Acquisition of Murray Meds and Flower Day Farms net of cash acquired		-	(1,500,000)
Purchase of Property, plant and Equipment		(648,668)	(580,565)
Purchase of Land & buildings		(453,712)	(2,339,141)
Purchase of Other farm assets		(2,003,560)	-
Disposal of discontinued operation, net of cash disposed of	3	3,213,796	-
Distributions from equity-accounted investees		48,050	564,000
Acquisition of intangible assets		(193,265)	-
Net cash outflow from investing activities		**(37,359)**	(3,855,706)
Cash flows from financing activities			
Borrowings		355,108	-
Proceeds from the issue of shares (net of costs)		-	6,195,577
Lease repayments		(44,349)	(5,958)
Net cash inflow from financing activities		**310,759**	6,189,619
Net (decrease) / increase in cash and cash equivalents		**676,079**	(2,378,768)
Cash and cash equivalents at the beginning of the period		1,866,181	4,244,949
Cash and cash equivalents at the end of the period	7	**2,542,260**	1,866,181

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 31 August 2023.

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.

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. The impact of these are not material.

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 2021 to 30 June 2022.

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

Notes to The Consolidated Financial Statements.

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 2023 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.

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 from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies

Notes to The Consolidated Financial Statements.

the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised over time.
Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods – medicinal cannabis and related products
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.
The Group sells a variety of medicinal cannabis and related products to the wholesale market. These sales relate to both the manufacture and distribution of products grown and manufactured by the Group.

Rendering of services – cultivation and processing services
The Group derives revenue from cultivation and processing services to various parties. Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

Grant funding
Flood supports, Research and Development (R&D) Grant, EMDG, 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

Notes to The Consolidated Financial Statements.

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.

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 30-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.

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

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.

Notes to The Consolidated Financial Statements.

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	5-20 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 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) Fair value

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement

Notes to The Consolidated Financial Statements.

date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

p) 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.

q) 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.

r) 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.

Notes to The Consolidated Financial Statements.

s) 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.

t) Leases

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Notes to The Consolidated Financial Statements.

u) Borrowing

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

v) Share-based payments

Equity-settled share-based compensation benefits are provided to employees.
Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Monte-Carlo pricing model that takes into account the exercise price, the term, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

w) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Pinnacle Listed Comprehensive Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated

Notes to The Consolidated Financial Statements.

with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

x) 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.

y) 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 area 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.

z) 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.

aa) Dividends

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

bb) New or amended Accounting Standards and Interpretations adopted

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. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to The Consolidated Financial Statements.

cc) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTE 2
Critical Accounting Estimates And Judgements And Assumption

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;

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.

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.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax

Notes to The Consolidated Financial Statements.

discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Discontinued operations disclosure

The Sale of the ECS Botanics Food and Wellness Business

As part of the Company's revised strategy to focus on the high growth of medical cannabis business and reducing operating expenses, ECS sold the assets of the hemp food and wellness business for $250,000 (plus inventory on hand) to Ananda Food, a subsidiary of Ecofibre Limited. Settlement was completed on 19 August 2022.

The Sale of the Tasmanian Business and Assets

On 24th October 2022, ECS entered into an unconditional share purchase agreement with Blue Buffalo Pty Ltd for the sale of its wholly owned subsidiary, ECS Botanics Pty Ltd. The financial settlement was successfully finalised on 3rd November 2023, with the sales price set at $3.0 million. The proceeds from the sale have been directed towards supporting the ongoing expansion of the Victorian medicinal cannabis facility.

In the previous reporting period, there was asset of Tasmanian Business classified as held for sale. The comparative consolidate statement for profit or loss has been re-presented to show the discontinued operation separately from continuing operations.

ECS Botanics Food and Wellness Business and Tasmanian Business have been operated independently in the Group, and the intra-group transactions have been fully eliminated in the consolidated financial results. There was no sales revenue and expenses between the discontinued and the continuing operation before the disposal.

The recoverable amounts of all cash generating units classified as discontinued operations have been valued at the lower of cost or fair value less cost to sell which require management estimates and judgements.

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.

Notes to The Consolidated Financial Statements.

NOTE 3
Discontinued Operations

Sale of the ECS Botanics Food and Wellness Business
As part of the Company's revised strategy to focus on the high growth of medical cannabis business and reducing operating expenses, ECS sold the assets of the hemp food and wellness business for $250,000 (plus inventory on hand) to Ananda Food, a subsidiary of Ecofibre Limited. Settlement was completed on 19 August 2022.

Sale of the Tasmanian Business and Assets
On 24th October 2022, ECS entered into an unconditional share purchase agreement with Blue Buffalo Pty Ltd for the sale of its wholly owned subsidiary, ECS Botanics Pty Ltd. The financial settlement was successfully finalised on 3rd November 2023, with the sales price set at $3.0 million. The proceeds from the sale have been directed towards supporting the ongoing expansion of the Victorian medicinal cannabis facility. In the previous reporting period, there was asset of Tasmanian Business classified as held for sale. The comparative consolidate statement for profit or loss has been re-presented to show the discontinued operation separately from continuing operations.

ECS Botanics Food and Wellness Business and Tasmanian Business have been operated independently in the Group, and the intra-group transactions have been fully eliminated in the consolidated financial results. There was no sales revenue and expenses between the discontinued and the continuing operation before the disposal. Subsequent to the disposal the discontinued operations, they were no longer a part any segment of the entity at 30 June 2023.

As the disposal was completed in November 2022, the December 2022 half-year results will be restated to reflect the impact of the discontinued operations.

Results of discontinued operation	**30-Jun-23**	**30-Jun-22**
	$	$
Revenue	(71,488)	1,566,716
Expenses	(191,503)	(2,848,337)
Results from operating activities	**(262,991)**	**(1,281,621)**
Income tax	-	-
Result from operating activities, net of tax	**(262,991)**	**(1,281,621)**
loss on sale of discontinued operation	(310,139)	-
Income tax on loss on sale of discontinued operation	-	-
Loss from discontinued operations, net of tax	**(573,130)**	**(1,281,621)**
Basic earnings (loss) per share (cent)	(0.05)	(0.12)
Diluted earnings (loss) per share (cent)	(0.05)	(0.12)

Cash flows from (used in) discontinued operation	**30-Jun-23**	**30-Jun-22**
	$	**$**
Net cash used in operating activities	(440,813)	(1,342,314)
Net cash from investing activities	3,213,796*	192,014
Net cash flows for the year	**2,772,983**	**(1,150,300)**

Notes to The Consolidated Financial Statements.

Effect of disposal on the financial position of the Group	**30-Jun-23**
	$
Assets held for sale to Blue Buffalo	(3,389,986)
Other Plant and Equipment	(41,906)
Net assets and liabilities	**(3,431,892)**
Consideration received from Blue Buffalo	3,000,000*
Consideration received for other Plant and Equipment	78,374**
Consideration received for Food and Wellness	250,000*
Gain (loss) on disposal	**(103,518)**

*$3,213,796 is a net cash of:

$2,963,796 which is the $3,000,000 proceeds from Blue Buffalo had been deducted by professional service fees; and

$250,000 proceeds are received in cash.

**$78,374 is the proceeds from the other entity within the ECS group, which is a non-cash transaction.

NOTE 4
Revenue

REVENUE	**30-Jun-23**	**30-Jun-22**
	$	$
Wholesale sales	14,563,216	5,298,588
Services over time	825,713	-
	15,388,929	5,298,588

During the year ended 30 June 2023, approximately 63% (2022: 46%) of the Group's external revenue was derived from major customers within the Medicinal Cannabis segment, each with revenue amounting to 10% or more of total revenue as follows:

Customer	**FY2023**	FY2022
Company A	23%	4%
Company B	16%	28%
Company C	12%	10%
Company D	12%	5%
Other	37%	53%
	100%	100%

OTHER INCOME	**30-Jun-23**	**30-Jun-22**
	$	$
Other income	-	25
Government grants	260,606	314,510
Interest income	23,680	616
Profit(loss) on disposal of assets	500	-
	284,786	315,151

Notes to The Consolidated Financial Statements.

NOTE 5
Expenses

	30-Jun-23 $	30-Jun-22 $
Cost of products or raw materials	(12,600,457)	(3,788,952)
Consumable & processing costs	(18,228)	(90,399)
Depreciation and amortisation expense	(1,043,342)	(662,406)
Marketing	(119,443)	(46,911)
Occupancy	(104,817)	(67,242)
Administration	(371,044)	(215,034)
Directors' fees	(85,929)	(111,600)
Professional fees	(312,927)	(240,928)
Legal fees	(4,913)	(27,023)
Corporate consulting and advisory fees	(12,990)	(12,742)
Medicinal cannabis consulting fees	-	(60,721)
Compliance and regulatory expenses	(150,241)	(414,873)
Research and development costs	(21,559)	(119,664)
Wages and superannuation	(2,714,014)	(636,546)
Share based payment expense	(114,279)	-
Other	(9,000)	(1,942)
	(17,683,183)	(6,496,983)

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. During the reporting period ended 30 June 2023, the Company made the Sale of the ECS Botanics Food and Wellness Business and the Sale of the Tasmanian Business and Assets. Please refer to the Note 3 for Discontinued operations.

The Directors have determined that there are two operating segments which are considered separately reportable:
ECS Botanics Pty Ltd ("Botanics") – the sale of food and wellness products; and
ECS Botanics MC Pty Ltd (previously known as Murray Meds Pty Ltd) and Flowerday Farms Pty Ltd ("MC & FDF") – the sale of medicinal cannabis plant related products.

Notes to The Consolidated Financial Statements.

30-JUNE-2023	Botanics	MC & FDF	Corporate	Total
	$	$	$	$
Retail sales	**12,503**	**-**	**-**	**12,503**
Wholesale sales	**103,043**	**14,563,216**	**-**	**14,666,259**
Services over time	**-**	**825,713**	**-**	**825,713**
Other income	**(187,034)**	**52,244**	**232,542**	**97,752**
Segment revenue	**(71,488)**	**15,441,173**	**232,542**	**15,602,227**
Segment result	**(573,130)**	**1,282,737**	**(791,366)**	**(81,759)**
Finance costs	**-**	**(40,511)**	**-**	**(40,511)**
Loss before income tax	**(573,130)**	**1,282,737**	**(791,366)**	**(81,759)**
Income tax expense	**-**	**-**	**-**	**-**
Loss after income tax	**(573,130)**	**1,282,737**	**(791,366)**	**(81,759)**
Segment assets	**-**	**20,043,816**	**5,905,858**	**25,949,674**
Segment liabilities	**-**	**3,675,458**	**72,023**	**3,747,481**
Capital expenditure	**-**	**(3,105,941)**	**-**	**(3,105,941)**
Depreciation and amortisation	**-**	**(741,859)**	**(301,483)**	**(1,043,342)**

30-JUNE-2022	Botanics	MC & FDF	Corporate	Total
	$	$	$	$
Retail sales	77,558	-	-	77,558
Wholesale sales	1,399,022	5,298,588	-	6,697,610
Services over time	-	-	-	-
Other income	90,136	141,624	232,542	464,302
Segment revenue	1,566,716	5,440,212	232,542	7,239,470
Segment result	(1,281,621)	688,171	(513,782)	(1,107,232)
Finance costs	-	(3,940)	-	(3,940)
Loss before income tax	(1,281,621)	688,171	(513,782)	(1,107,232)
Income tax expense	-	-	(8,203)	(8,203)
Loss after income tax	(1,281,621)	688,171	(521,985)	(1,115,435)
Segment assets	5,144,057	15,289,406	3,388,154	23,821,617
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)

Subsequent to the disposal of the discontinued operations, Botanics was no longer a segment of the entity at 30 June 2023, refer to note 3 for details of disposal.

During the year ended 30 June 2023, approximately 63% (compared to 46% in 2022) of the Group's external revenue originated from significant customers, each contributing 10% or more of the total revenue. The breakdown is as follows:

Customer	**FY2023**	**FY2022**
Company A	23%	4%
Company B	16%	28%
Company C	12%	10%
Company D	12%	5%

Notes to The Consolidated Financial Statements.

NOTE 7
Cash and Cash Equivalents

	30-Jun-23 $	30-Jun-22 $
Cash at bank	**2,542,260**	1,866,181

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	**(81,759)**	(1,115,436)
Adjustments for Non-Cash Items:		
Depreciation	**1,043,342**	763,501
Investment in Tap Agrico P&L uptake	**(14,574)**	(61,623)
Share based payments	**114,279**	-
Inventory write-off	**785,611**	774,469
Fair-Value gain/(loss) on biological assets	**(3,268,811)**	(1,661,021)
Income tax expense – deferred	**-**	-
Changes in assets and liabilities		
(Increase) / decrease in receivables	**(1,283,001)**	(1,322,410)
(Increase) / decrease in prepayments	**(848,677)**	0
(Increase) / decrease in inventory	**647,967**	(28,946)
(Increase) / decrease in non-current assets held for sale	**1,523,521**	0
Increase / (decrease) in payables	**1,222,273**	(2,279,639)
Increase / (decrease) in Provisions and other liabilities	**562,508**	218,424
Net cash used in operating activities	**402,679**	(4,712,681)

There are no other non-cash financing and non-cash investing activities identified for the year ended 30 June 2023.

Notes to The Consolidated Financial Statements.

NOTE 8
Trade and Other Receivables

	30-Jun-23 $	30-Jun-22 $
Trade receivables	2,028,267	1,428,272
Other trade receivables (Note 9)	475,200	-
Other receivables	42,227	534,436
	2,545,694	1,962,708

Allowance for expected credit loss

Receivables past due but not considered impaired are $92,646 (2022: $67,433). Other receivables are non-interesting 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 2023 was determined as follows:

30 June 2023	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 $	1,935,621	-	215	92,431	2,028,267

NOTE 9
Other Non-current trade receivables

	30-Jun-23 $	30-Jun-22 $
Other Non-current trade receivables*	877,800	-

*During the reporting period the Company sold a biomass extractor to a third party via an offset arrangement. Total consideration of $1,353,000 will be settled by the receipt by ECS of oil concentrate from the third party produced by the extractor. As at 30 June 2023, $475,200 is included in Trade and other receivables and $877,800 is included in Other Non-current trade receivables to reflect this arrangement.

NOTE 10
Deposits and Advances

	30-Jun-23 $	30-Jun-22 $
Deposits and advances	1,061,875	213,198

Deposits and advances represent payments made for the goods and services related to ECS's regular business operations, to be received in future reporting periods.

Notes to The Consolidated Financial Statements.

NOTE 11
Inventories

	30-Jun-23 $	30-Jun-22 $
Raw materials	604,769	114,744
Finished goods	7,360,289	5,972,124
	7,965,058	6,086,868

(i) ***Assigning costs to inventories***
The costs of individual items of inventory are determined using actual average costs.

(ii) ***Amounts recognised in profit or loss***
During the year ended 30 June 2023, $727,461 (2022: $566,726) of inventory impairment was measured and recognised associated with high-quality control procedures in place. Remaining inventory costs were included within cost of sales. $3,268,811 (2022: 1,628,298) was recognised as the fair value gain on biological assets.

NOTE 12
Non-Current Asset Held For Sales

Breakdown of NCA Held for Sales	30-Jun-23 $	30-Jun-22 $
Office and Computer Equipment	-	8,038
Plant and Equipment	-	1,847,985
Land	-	670,000
Buildings	-	2,211,295
	-	**4,737,318**

Non-current assets held at the end of June 2022 for sales include ECS's COY Farm Assets in Tasmania. Refer to note 3 for results of disposal.

NOTE 13
Intangible Assets

	30-Jun-23 $	30-Jun-22 $
Intangible assets	3,208,103	3,014,839
Less accumulated amortisation	(693,823)	(392,340)
	2,514,280	**2,622,499**

The amortisation amount during the reporting period is $301,843. (2022: $301,257)

NOTE 14
Goodwill

	30-Jun-23 $	30-Jun-22 $
Goodwill	**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 realized 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

Notes to The Consolidated Financial Statements.

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 (2024)
Average Annual growth rate (Year 2-5)	10%
Weighted gross margin	35%
Inflation	5%
Pre-tax discounted rate	19.80%
Long-term growth rate	2.5%
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 the following:

- Revenue would need to decrease by more than 6.3% before goodwill would need to be impaired, with all other assumptions remaining constant.
- Margins would need to decrease by more than 4.5% before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 7.7% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Notes to The Consolidated Financial Statements.

NOTE 15
Property, Plant and Equipment

	Land	Buildings	Other farm assets	Property plant and equipment	Motor vehicles	Construction in Progress	Total
	$	$	$	$	$	$	$
Cost or fair value							
Balance at 1 July 2022	**816,146**	**2,413,557**	**1,056,647**	**911,382**	**8,679**	**-**	**5,206,411**
Acquisition of subsidiaries	-	-	-	-	-	-	-
Additions	-	453,712	2,003,560	648,668	-	-	3,105,940
Reclassification of Assets	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Asset transferred to “asset held for sales”	-	-	-	-	-	-	-
Balance at 30 June 2023	**816,146**	**2,867,269**	**3,060,207**	**1,560,050**	**8,679**	**-**	**8,312,351**
Accumulated depreciation							
Balance at 1 July 2022	**-**	**168,133**	**257,774**	**93,628**	**26,230**	**-**	**545,765**
Acquisition of subsidiaries	-	-	-	-	-	-	-
Depreciation for the year	-	94,094	497,702	141,385	8,679	-	741,860
Impairment of Asset	-	-	-	-	-	-	-
Balance at 30 June 2023	-	262,227	755,476	235,013	34,909	-	1,287,625
Carrying amounts							
at 30 June 2023	816,146	2,773,175	2,562,505	1,418,665	**-**	**-**	**7,570,491**
at 30 June 2022	**816,146**	**2,413,557**	**1,056,647**	**911,382**	**8,679**	**-**	**5,206,411**

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 or fair value							
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
Reclassification of Assets	-	-	(8,955)	-	-	-	(8,955)
Disposals	-	1,160,530	(28,283)	418,603	-	(1,550,850)	-
Asset transferred to “asset held for sales”	(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
Accumulated 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
Asset held for sale	-	(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	17,496	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

Notes to The Consolidated Financial Statements.

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	Principle place of business	30-Jun-23	30-Jun-22
		Ownership Interest	
		%	%
Tasmanian Agricultural Producers Pty Ltd (TAP)	Australia	-	28.40%

On 30 June 2023, TAP deposited an amount of $48,050.38 for (a) Return of paid-up capital $46,499.41 and (b) Distribution of retained profits $1,550.97 (a deemed fully franked dividend). It represents the final distribution of TAP.

Summarised statement of financial position	30-Jun-23 $	30-Jun-22 $
Current assets	-	170,207
Non-current assets	-	-
Total assets	-	**170,207**
Current liabilities	-	408
Non- current liabilities	-	-
Total liabilities	-	**408**
Net assets	-	**169,799**

Summarised statement of profit or loss and other comprehensive income	30-Jun-23 $	30-Jun-22 $
Revenue	-	105,571
Expenses	-	(177,638)
Profit/(loss) before income tax	-	**(72,067)**
Income tax expense	-	-
Profit/(loss) after income tax	-	(72,067)
Other comprehensive income/(loss)	-	406,922
Total comprehensive income/(loss)	-	334,855

Reconciliation of the consolidated entity's carrying amount	30-Jun-23 $	30-Jun-22 $
Opening carrying amount	**33,476**	502,377
Share of profit/(loss) after income tax	-	95,099
Proceed from the disposal of investment	-	(564,000)
Balance adjustment of Investment – increase/(decrease)	**11,472**	-
Distribution of retained profits	**1,551**	-
Return of paid-up capital	**(46,499)**	-
Closing carrying amount	-	**33,476**

Notes to The Consolidated Financial Statements.

NOTE 17
Trade and Other Payables

	30-Jun-23	30-Jun-22
	$	$
Trade Payables	1,735,838	703,541
Accruals and Other Payables	359,995	170,019
GST	177,785	-
	2,273,618	**873,560**

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
Employee Provisions and Payables

	30-Jun-23	30-Jun-22
	$	$
Superannuation payable	21,846	4,336
PAYG Payable	79,907	60,987
Annual leave provision	197,103	172,120
Long service leave provision	30,951	-
	329,807	**237,443**

NOTE 19
Contract Liabilities

	30-Jun-23	30-Jun-22
	$	$
Contract liabilities	991,744	521,602
	991,744	**521,602**

As of 30 June 2023, the Company has contractual obligations to supply customers with deposits committed as below:

	30-Jun-23
	$
Opening balance as at 01 Jul 2023	**521,602**
Contract revenue recognised during the reporting period	(4,652,017)
Additional contract liabilities recognised during the period	5,122,159
Closing balance as at 30 June 2023	**991,744**

Notes to The Consolidated Financial Statements.

NOTE 20
Hire Purchase Liability

	30-Jun-23	30-Jun-22
	$	$
Current		
Hire purchase liability	90,848	20,066
Unexpired interest	(21,874)	(729)
	68,974	**19,337**
Non-current		
Hire purchase liability	301,592	-
Unexpired interest	(40,469)	-
	261,123	**-**

During the reporting period ended 30 June 2023, the financial lease arrangements have been entered to purchase equipment. The finance purchase of a motor vehicle handed down from the prior year has ended.

Equipment	Monthly Payment $	Terms - No. of Years	Annual Rate
Excavator	2,245	4	7.13%
Generator	718	5	7.45%
Tractor	2,304	3	6.83%
Solar System	1,353	7	7.75%

NOTE 21
Issued Capital

	30-Jun-23	30-Jun-22
	$	$
Issued and Fully Paid Ordinary Shares*	**32,786,341**	32,786,341

	Date	Issue price	No. of Shares	$
Balance at the beginning of the year	**1/07/2022**		**1,106,730,667**	**32,786,341**
Movement in ordinary shares on issue	-	-	-	-
Balance at the end of year	**30/06/2023**		**1,106,730,667**	**32,786,341**

*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 on vote and upon a poll each share shall have one vote.

Notes to The Consolidated Financial Statements.

NOTE 22
Share Based Payments

	30-Jun-23	30-Jun-22
	$	$
Share based payment		
Shares issued	-	-
Options issued[1]	-	30,000
Vesting Performance rights[2]	**114,279**	-
	114,279	30,000

Movement in reserves		
Opening balance at 1 July 2022	**250,574**	1,970,574
Performance rights vested	**-**	-
Options issued[1]	**-**	30,000
Vesting of performance rights[2]	**114,279**	(1,750,000)
Closing balance at 30 June 2023	**364,853**	250,574

[1]On 25 October 2021, 12 million options, with an exercise price of $0.08 and expiring 2 years from date of issue, were granted to the lead manager of the ECS share placement completed in November 2021. The estimated value of the services was $30,000.

[2]During this reporting period, ECS has issued five tranches of Rights totaling 26,000,000 to the Chairman, Managing Director, and the Business Development Manager. The rights were subject to ECS shareholder approval which was obtained at the Company's Annual General Meeting ("AGM") held on 26 October 2022. During the reporting period, ECS management engaged an independent valuer to measure the fair value of the rights issued. A total fair value has been determined of $374,125 of which $114,279 has been expensed during the reporting period. The terms of the rights issued and key inputs used in the valuation have been summarised below:

Tranche A totalling 3,750,000 Rights subject to a non-market based vesting condition -the number of rights that vest is conditional on ECS achieving audited revenue of over AU$20,000,000 over a 12-month continuous period between the issue date and date of expiry;
Tranche B totalling 3,750,000 Rights subject to a non-market based vesting condition - the number of rights that vest is conditional on ECS achieving an EBIT of at least 6.5% based on a minimum EBIT of AU$1,300,000 between the issue date and date of expiry;
Tranche C totalling 6,250,000 Rights subject to a market based vesting condition - the number of rights that vest is conditional on ECS achieving a target company share price of AU$0.050 based on a 15-day VWAP between the issue date and date of expiry;
Tranche D totalling 6,250,000 Rights subject to a market based vesting condition - the number of rights that vest is conditional on ECS achieving a target company share price of AU$0.075 based on a 15-day VWAP between the issue date and date of expiry;
Tranche BB totalling 6,000,000 Rights subject to a non-market based vesting condition - the number of rights that vest is conditional upon the recipients continued service with the company from the issue date up to and including 30 June 2025.

Notes to The Consolidated Financial Statements.

Tranche	A	B	C	D	BB
Grant Date	26-10-2022	26-10-2022	26-10-2022	26-10-2022	10-08-2022
Number of Rights	3,750,000	3,750,000	6,250,000	6,250,000	6,000,000
Expected life of the right (days)	790	790	790	790	1,056
Expected volatility	-	-	96.03%	96.03%	-
Management probability	100%	0%	100%	100%	100%
Share price at grant date ($)	$0.0220	$0.0220	$0.0220	$0.0220	$0.0260
Fair value per right ($)	$0.0220	$0.0220	$0.0141	$0.0076	$0.0260
Total value at grant date ($)	**$82,500**	**$0**	**$88,125**	**$47,500**	**$156,000**

Key Management Personnel and other employees	Tranche	No. of Rights	Fair value per right ($)	Total Value ($)
Blaise Bratter	BB	6,000,000	0.0260	156,000
Blaise Bratter Total		**6,000,000**		**156,000**
Jeremy King	C	2,500,000	0.0141	35,250
Jeremy King	D	2,500,000	0.0076	19,000
Jeremy King Total		**5,000,000**		**54,250**
Nan-Maree Schoerie	A	3,750,000	0.0220	82,500
Nan-Maree Schoerie	B	3,750,000	0.0220	-*
Nan-Maree Schoerie	C	3,750,000	0.0141	52,875
Nan-Maree Schoerie	D	3,750,000	0.0076	28,500
Nan-Maree Schoerie Total		**15,000,000**		**163,875**
Grand Total		**26,000,000**		**374,125**

*Due to the probability of achieving the milestone is 0%, Tranche B is valued to nil.

All tranches of Rights require continuous services of Mr King as Chair, Ms Schoerie and Mr Bratter employed by the Company.

Notes to The Consolidated Financial Statements.

NOTE 23
Profit and Loss per Share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	30-Jun-23 $	30-Jun-22 $
Net loss attributable to ordinary equity holders of the company	(81,759)	(1,115,436)
Weighted average number of ordinary shares for basic and diluted loss	1,106,730,667	1,029,128,446
Effects of dilution from:		
Share options	112,000,068	112,000,068
Performance rights	26,000,000	-
Weighted average number of ordinary shares adjusted for the effect of dilution	1,244,730,735	1,141,128,514
Loss per share from discontinued operations attributable to the members of ECS Botanics Holdings Limited		
Basic loss per share (cents)	(0.0518)	(0.1245)
Diluted loss per share (cents)	(0.0518)	(0.1245)
Earnings per share for the year from continuing operations attributable to the members of ECS Botanics Holdings Limited		
Basic earnings per share (cents)	0.0444	0.0161
Diluted earnings per share (cents)	0.0395	0.0146
Loss per share for the year attributable to the members of ECS Botanics Holdings Limited		
Basic loss per share (cents)	(0.0074)	(0.1084)
Diluted loss per share (cents)	(0.0074)	(0.1084)

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.

Notes to The Consolidated Financial Statements.

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.

	30-Jun-23	30-Jun-22
Financial Assets	**$**	$
Cash and cash equivalents	2,542,260	1,866,181
Trade and other receivables	2,545,694	1,962,708
	5,087,954	**3,828,889**
Financial Liabilities		
Trade and other payables	(2,273,618)	(873,560)
Hire Purchase Liability	(330,097)	(19,337)
	(2,603,715)	**(892,897)**

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.

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 National Bank Australia, The Australia and New Zealand Bank Group, and Westpac, 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.

Notes to The Consolidated Financial Statements.

The following are the contractual maturities of financial liabilities:

2023	6 months $	6-12 months $	1-5 years $	> 5 years $	Total $
Trade and other payables	2,244,097	29,521			2,273,618
Hire purchase liability	33,870	35,103	199,684	61,440	330,097
	2,277,967	**64,624**	**199,684**	**61,440**	**2,603,715**

2022	$	$	$	$	$
Trade and other payables	873,559	-	-	-	873,559
Hire purchase liability	3,399	15,938	-	-	19,337
	876,958	15,938	-	-	892,896

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.

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").

NOTE 25
Fair Value Measurements

The Company's accounting policies and disclosures 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.

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. As at year end, the fair value of biological assets on hand was nil as the harvest season was complete.

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.

Notes to The Consolidated Financial Statements.

NOTE 26
Related Party Disclosure

(a) Key Management Personnel Compensation

	30-Jun-23	30-Jun-22
	$	$
Short-term benefits	463,887	460,690
Long-term benefits	59,050	42,777
Share based payments	66,266	-
	589,203	503,467

(b) Related Party Transactions

	30-Jun-23	30-Jun-22
	$	$
The following transactions occurred with related parties:		
Mirador Corporate Pty Ltd(i)	102,264	141,955
Pharmout(ii)	70,629	203,115
Qiksolve Pty Ltd(iii)	30,146	7,579
Rental payments made to Schoerie SMFS	-	15,160
Australian British Chamber of Commerce	-	31,680
Small loan to Alex Keach	-	445
Total	**203,039**	**399,934**

(i). Mirador Corporate Pty Ltd was paid for company secretarial and financial management services to the Company, of which Jeremy King is a director.
(ii). Pharmout was paid for regulatory advice, an entity owned by a close family member of Nan-Maree Schoerie.
(iii). Qiksolve Pty Ltd was paid for IT services, an entity owned by a close family member of Nan-Maree Schoerie.

Transactions with Associate

During the reporting period ECS Botanics paid $nil (2022: $nil) for services performed and had $nil payable (2022: $nil) to TAP Agrico as at 30 June 2023.

NOTE 27
Commitments

There are capital commitments of $nil as at 30 June 2023 (2022: $nil).

Notes to The Consolidated Financial Statements.

NOTE 28
Contingencies

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

During this reporting period, ECS has issued five tranches of Rights totaling 26,000,000 to the Chairman, Managing Director, and the Business Development Manager. Please see further disclosure on Note 22 Share based payments.

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 and during the reporting period, there were no issued shared on the exercise of options granted.

NOTE 29
Auditor's Remuneration

	30-Jun-23 $	30-Jun-22 $
Amounts received or due and receivable for:		
Audit and review of the annual and half-year financial report		
BDO(i)	91,095	84,755
William Buck(ii)	45,000	-
Other services		
Income tax return – BDO(i)	21,769	16,542
Tax consulting -BDO(i)	6,878	20,941
Income tax return – William Buck(ii)	12,500	-

(i). The amounts received or due and receivable by BDO are for the professional services incurred and provided for the reporting period ended 30 June 2022 and 31 December 2022.
(ii). The amounts received or due and receivable by William Buck are the professional services for the reporting period ended 30 June 2023.

NOTE 30
Interests in Subsidiaries

		30-Jun-23 %	30-Jun-22 %
ECS Botanics Pty Ltd	Hemp retail	-	100
Tasmanian Cannabinoids Pty Ltd Investment	Agriculture	-	100
Tasmanian Hemp Pty Ltd Investment	Agriculture	-	100
Flowerday Farms Pty Ltd	Agriculture	100	100
Murray Meds Pty Ltd	Agriculture	100	100

Notes to The Consolidated Financial Statements.

NOTE 31
Parent Entity

	30-Jun-23	30-Jun-22
	$	$
Assets		
Current assets	**2,053,123**	1,863,887
Non-current assets	**20,221,094**	20,325,344
Total assets	**22,274,217**	22,189,231
Liabilities		
Current liabilities	**72,023**	19,556
Total liabilities	**72,023**	19,556
Equity		
Contributed equity	**32,786,341**	30,930,841
Reserves	**364,853**	250,574
Accumulated losses	**(10,949,000)**	(9,011,740)
Total equity	**22,202,194**	22,169,675
Loss for the year	**(81,759)**	(1,115,436)
Total comprehensive loss	**(81,759)**	(1,115,436)

(i). Guarantees entered by the parent entity
There are no guarantees entered into by the parent entity for the year ended 30 June 2023 (2022: $nil).

(ii). Contingent liability of the parent entity
Refer to Note 28 for contingent liabilities of the parent entity.

(iii). Contractual commitments of the parent entity
There are no capital commitments entered into by the parent entity for the year ended 30 June 2023 (2022: $nil)

NOTE 32
Events After the Reporting Date

As of the reporting date of these financial statements, management has reviewed subsequent events that occurred between the reporting date and the date of authorisation for issue. No material events or transactions have been identified that would require adjustment to, or disclosure in, the financial statements.

End of Notes

to The Consolidated Financial Statements.

Director's Declaration.

In accordance with a resolution of the directors of ECS Botanics Holdings Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 36 to 71 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   b. giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Nan-Maree Schoerie
Managing Director
31 August 2023

ECS Botanics Holdings Ltd
Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of ECS Botanics Holdings Ltd (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, 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 statements, including a summary of significant accounting policies and other explanatory information, 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 2023 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 auditor independence requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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williambuck.com.au

William Buck
ACCOUNTANTS & ADVISORS

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.

<table>
<tr><th colspan="2">IMPAIRMENT ASSESSMENT ON INTANGIBLE ASSET</th></tr>
<tr><th>Area of focus
Refer also to notes 1, 13 and 14</th><th>How our audit addressed it</th></tr>
<tr><td>Included on the statement of financial position are intangible asset balances of:
— $2,514,280 for licenses; and
— $1,050,000 for goodwill on acquisition of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd.

No impairment expense has been recognised during the financial year.

In accordance with AASB 136 – Impairment of Assets the Group is required to, at least annually, perform an impairment assessment of goodwill and intangible assets that have an indefinite useful life or are not yet ready for use.

As these assets have been allocated to the Group's ECS Botanics MC cash generating unit ("CGU") they were considered for impairment as at 30 June 2023.

The directors have evaluated impairment by comparing the assets allocated to the CGU to its recoverable amount. The directors have assessed recoverable amount by applying a value-in-use model based on discounted cash flow forecasts which require significant judgement and estimates over key inputs, including:
— The discount rate;
— Growth rates;
— Assumptions relating to the deployment of working capital; and
— Gross margin expectations.

Due to the significance of the carrying value of intangible assets and the judgement involved in determining the recoverable amount of the CGU, we consider this to be a key audit matter.</td><td>Our audit procedures involved:
— Assessing the reasonableness of the determination of the Group's cash-generating units;
— Consulting internally to determine the appropriateness of the impairment test methodology used, being on a value-in-use approach in line with the business model;
— Testing the accuracy of the calculation derived from the forecast model and assessing key inputs to the calculations such as revenue growth, gross margins, discount rates and working capital assumptions;
— Assessing the work, independence and skill of the external expert in calculating the value of the discount rate, including the appropriateness of the methodology and the inputs and assumptions used.
— Evaluating the Group's budgeting procedures upon which the forecasts are based and assessing the historical accuracy by comparing actual results with the original forecasts from prior years; and
— Performing sensitivity analyses over the calculations.

We also assessed that these matters were completely and accurately disclosed in the financial statements.</td></tr>
</table>

<table>
<tr><th colspan="2">VALUATION OF INVENTORY</th></tr>
<tr><th>Area of focus
Refer also to notes 1 and 11</th><th>How our audit addressed it</th></tr>
<tr><td>As at 30 June 2023, the Group held inventory of $7,965,058 which is significant to the financial report.

AASB 141 Agriculture requires agricultural produce harvested from an entity's biological assets to be measured at its fair value less costs to sell at the point of harvest, or in the absence of fair value, at cost less any accumulated depreciation and any accumulated impairment losses.

Biomass has been valued at fair value less costs to sell at the date of the harvest. All other inventory items are measured at the lower of cost or net realisable value.

Valuation of inventory was a key audit matter due to the complexity of the valuation model and the extent of managements estimates and judgements involved.</td><td>Our audit procedures included:
— Performing inventory stock verification procedures in respect of inventory;
— Reviewing inventory confirmations in relation to inventory held by third parties;
— Evaluating management's judgments and assumptions used in calculating fair value less accumulated depreciation and any accumulated impairment losses per gram of biomass;
— Verifying that the carrying value of inventory has been calculated appropriately including verification of third-party manufacturing costs to supporting documentation; and
— Evaluating management's judgements and assumptions used in determining the inventory write down recorded by management during the year.

We have also assessed the adequacy of disclosures in relation to inventory in the financial report.</td></tr>
<tr><th colspan="2">DISPOSAL OF SUBSIDIARY</th></tr>
<tr><th>Area of focus
Refer also to notes 1 and 3</th><th>How our audit addressed it</th></tr>
<tr><td>As disclosed in Note 3 to the financial statements, during the year, the Group completed the sale of its subsidiary, ECS Botanics Pty Ltd (the Subsidiary) which operated its Food and Wellness business (the Business).

The sale was conducted through several transactions to dispose of the Business, the shares in the Subsidiary and certain plant and equipment to various purchasers.

Due to the significance of the transaction to the Group's financial position and performance during the year, the disposal transaction is a key audit matter.</td><td>Our audit procedures included:
— Determining that the disposal transaction met the definition of a discontinued operation as defined under AASB 5 Non-current Assets Held for Sale and Discontinued Operations;
— Evaluating the terms and conditions with respect to the sale and its related agreements;
— Evaluating the disposal date balances and assessing the loss on disposal and associated tax implications;
— Evaluating the balances as at date of disposal and ensuring that the financial performance to that date has been accurately and completely recorded; and
— Recalculating the gain or loss on disposal and ensuring that it has been accurately recorded.

We also assessed that these matters were completely and accurately disclosed in the financial statements, including the quarantining of results relating to the Food and Wellness business as a discontinued operation in the statement of profit or loss, including the re-presentation of comparatives for that business.</td></tr>
</table>

<table>
<tr><th colspan="2">REVENUE RECOGNITION</th></tr>
<tr><th>Area of focus
Refer also to notes 1 and 4</th><th>How our audit addressed it</th></tr>
<tr><td>As disclosed in Note 4 to the financial statements, the Group has two distinct revenue streams material to the financial report, being cultivation and processing service revenues and sale of goods revenues.

These revenues are measured both at a point in time and over time as the performance conditions are satisfied under the contract.

This is a key audit matter due to the financial significance and the risk that revenues are recognised in-advance of the performance condition being satisfied.</td><td>Our audit procedures included:
— Examining the revenue policies for the individual revenue streams and tracing to underlying documentation to determine if those revenue streams are satisfied at a point in time or over time in line with AASB 15 Revenue from Contracts with Customers;
— For revenues earned at a point in time, testing a sample of revenue transactions to assess appropriate revenue recognition under the Group’s accounting policies and accounting standards;
— For those revenues earned over time, tracing through to the underlying performance condition and ensuring that revenues are released to the profit in loss in line with the satisfaction of that condition; and
— Performing of cut off testing on a sample of transactions that occurred around year end to ensure that revenues are recognised in-accordance with the underlying performance obligation.

We also assessed that disclosures of revenue recognition and the accounting policy thereon are appropriate in the financial statements.</td></tr>
</table>

<table>
<tr><th colspan="2">SHARE BASED PAYMENTS</th></tr>
<tr><th>Area of focus
Refer also to notes 1, 22 and the Remuneration Report</th><th>How our audit addressed it</th></tr>
<tr><td>The Group has issued performance rights to key management personnel during the year. The performance rights include market and non-market based vesting conditions.

The performance rights issued require significant judgements and estimations by management, including the following:
— Determination of the grant date, and the evaluation of the fair value of the performance rights at grant date;
— The evaluation of the vesting charge taken to the profit and loss in-respect of the vesting conditions attached to the performance rights; and
— The evaluation of key inputs into the Binomial and Monte Carlo models, including the significant judgement of the forecast volatility of the performance right over its exercise period.</td><td>Our audit procedures included:
— Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence. In determining the grant dates, we evaluated what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements;
— Evaluating the progress of the vesting of share-based payments within the service period; and
— Assessing the work, independence and skill of the external expert in calculating the value of the asset, including the appropriateness of the model employed in the calculation and the inputs and assumptions used.

We also considered the adequacy of the Group’s disclosures in the notes to the financial report.</td></tr>
</table>

SHARE BASED PAYMENTS	
Area of focus **Refer also to notes 1, 22 and the Remuneration Report**	**How our audit addressed it**
The value of these share-based payment arrangements has been deemed a key area of focus for our audit.	

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 2023, 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.

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 these financial statements is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of ECS Botanics Holdings Ltd, for the year ended 30 June 2023, 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.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins
Director
Melbourne, 31 August 2023

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 21 August 2023.

Twenty Largest Shareholders

Position	Holder Name	Holding	% IC
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	77,000,000	6.96%
4	SUPER SECRET PTY LIMITED <TKOCZ SF A/C>	38,500,000	3.48%
5	MR BENJAMIN JOHN HARINGTON	21,925,095	1.98%
6	10 BOLIVIANOS PTY LTD	18,717,775	1.69%
7	TAOS PTY LTD <GEILINGS & CO PTY SUPER A/C>	15,621,296	1.41%
8	RK LIVESTOCK PTY LTD <TALLAGANDRA DISCRETIONARY A/C>	13,485,381	1.22%
9	ABACUS GLOBAL PTY LTD	12,259,437	1.11%
10	C Y T INVESTMENT PTY LTD	12,000,000	1.08%
11	CANNVALATE PTY LTD	11,363,636	1.03%
12	MR MARK ANDREW TKOCZ	10,890,000	0.98%
13	ARCUS CALLISTO PTY LTD <BC HARINGTON SUPER FUND A/C>	10,800,000	0.98%
14	DA & DJ BURT PTY LTD	9,377,643	0.85%
15	MR HAOJIE LI	7,490,000	0.68%
16	XCEL CAPITAL PTY LTD	7,206,698	0.65%
17	NURTURING EVOLUTIONARY DEVELOPMENT PTY LTD	7,200,000	0.65%
18	WALLIS-MANCE PTY LIMITED <WALLIS-MANCE FAMILY A/C>	7,088,253	0.64%
19	MR ROBERT JOHN RUIGROK	6,250,000	0.56%
20	SCHOERIE FIDES PTY LTD <SCHOERIE SMSF A/C>	6,000,000	0.54%
20	MR GUY BANDUCCI & MRS LISA MAREE BANDUCCI <KALI SUPER FUND A/C>	6,000,000	0.54%
	Total	**499,428,953**	**45.13%**

Twenty Largest Quoted Option Holders

Position	Holder Name	Holding	% IC
1	MR BENJAMIN JOHN HARINGTON	12,500,000	11.16%
2	10 BOLIVIANOS PTY LTD	7,226,250	6.45%
3	MR FREDERICK RICHARD BATTY	7,000,000	6.25%
4	CANNVALATE PTY LTD	5,681,818	5.07%

ASX Additional Information.

5	ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	5,303,031	4.73%
6	MR JASON JOHN STEPHENS	5,000,000	4.46%
7	MR MARK ANDREW TKOCZ	4,364,079	3.90%
8	MR ANDREW DAVID WALKER	3,650,000	3.26%
9	MR ALI MOHAMMED PARVEZ UKANI	3,000,000	2.68%
10	MR TREVOR KJELL GIACOMETTI <LINLONG INVESTMENT A/C>	2,500,000	2.23%
10	SANLAM PRIVATE WEALTH PTY LTD <WESTBOURNE LONG SHORT A/C>	2,500,000	2.23%
11	YASELLERAPH P/L <YASELLERAPH A/C>	2,348,485	2.10%
12	PARKER FINANCE PTY LTD <PARKER FINANCE A/C>	2,150,000	1.92%
13	MR EBENHAEZER VAN WYK	2,113,637	1.89%
14	AUSTRALIAN TRAVEL DIRECTORY (AUST) PTY LTD	1,893,940	1.69%
15	MR KEVIN DANIEL LEARY & MRS HELEN PATRICIA LEARY <KEVIN & HELEN LEARY S/F A/C>	1,893,939	1.69%
16	GREEN MOUNTAINS INVESTMENTS LTD	1,830,607	1.63%
17	KALCON INVESTMENTS PTY LTD	1,515,152	1.35%
17	MR GUY BANDUCCI	1,515,152	1.35%
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%
20	MR RAMIN VAHDANI	1,000,000	0.89%
	Total	**78,258,817**	**69.87%**

Distribution of Equity Securities

(i) Ordinary share capital

1,106,730,667 fully paid shares held by 4,403 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	691	151,676	0.01%
1,001 - 5,000	196	463,307	0.04%
5,001 - 10,000	329	2,821,650	0.26%
10,001 - 100,000	2,172	83,476,245	7.54%
100,001 Over	1,015	1,019,817,789	92.15%
Total	**4,403**	**1,106,730,667**	**100.00%**

(ii) Quoted Options

112,000,068 quoted options held by 182 individual shareholders with an exercise price of $0.08 and an expiry date of 17 December 2023.

ASX Additional Information.

Range	Total holders	Units	% Units
1 - 1,000	3	3	-
1,001 - 5,000	-	-	-
5,001 - 10,000	1	9,089	0.01%
10,001 - 100,000	63	4,145,243	3.70%
100,001 Over	115	107,845,733	96.29%
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%
LOWERDAY HOLDINGS PTY LTD	100,000,000	9.04%
HARBOUR CAPITAL ASSET MANAGEMENT PTY LTD	77,000,000	6.96%

Restricted Securities

There are no restricted securities in ECS.

Unmarketable Parcels

There were 2,005 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.