



ASX: ECS

ABN 98 009 805 298

Annual Report

For The Year Ended
30 June 2024

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ECS: Cultivating Excellence, Harvesting Success

With every plant we grow, every product we create, and every market we enter, ECS is committed to leading the medicinal cannabis industry with integrity, innovation, and a focus on the future.

The Company

Where Nature Meets Innovation



Situated in the Northwest of Victoria, alongside the Murray River, ECS has carved out its place as a key player in Australia's medicinal cannabis landscape. With an optimal environment for cannabis cultivation, ECS produced 6.6 tonnes of medicinal cannabis during the 2024 financial year. With approval from the Office of Drug Control, ECS is set to scale, with the capacity to produce up to 13.7 tonnes annually. Our investment in protective cropping enclosures, along with advanced heating and lighting, ensures we're not just seasonal but a year-round operation, ready to meet the growing demand both locally and internationally.

Why ECS Stands Out

Australia's Leading Low-Cost Producer.

By harnessing both protective cropping and outdoor production, ECS keeps costs low.

Quality Pharmaceutical Grade Products

Our medicinal cannabis dried flower meets the stringent European Good Manufacturing Practice (EU GMP) standards for unirradiated products.

An Environmentally Conscious Enterprise

By harnessing the sun's energy ECS ensures a lower carbon footprint compared to most other producers.

A Track Record of Financial Growth

ECS isn't just growing plants—we're growing profits. Our financial performance shows consistent growth across all metrics.

Leading with Innovation

ECS is licensed to produce products using the patented VESIsorb® technology, which offers absorption rates four times higher and onset three times quicker than current market oils.

A Vision for the Future

ECS is leveraging its strengths to position the company for sustainable, long-term growth.

FY24 Highlights

Trading Revenue (\$m)

↑30%



NPAT (\$m)

↑290%



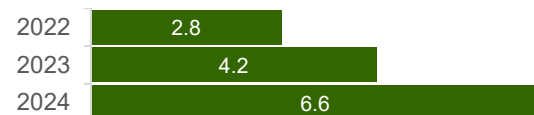
EBITDA (\$m)

↑134%



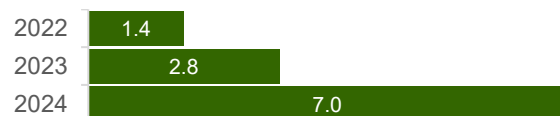
Production (Tonnes)

↑57%



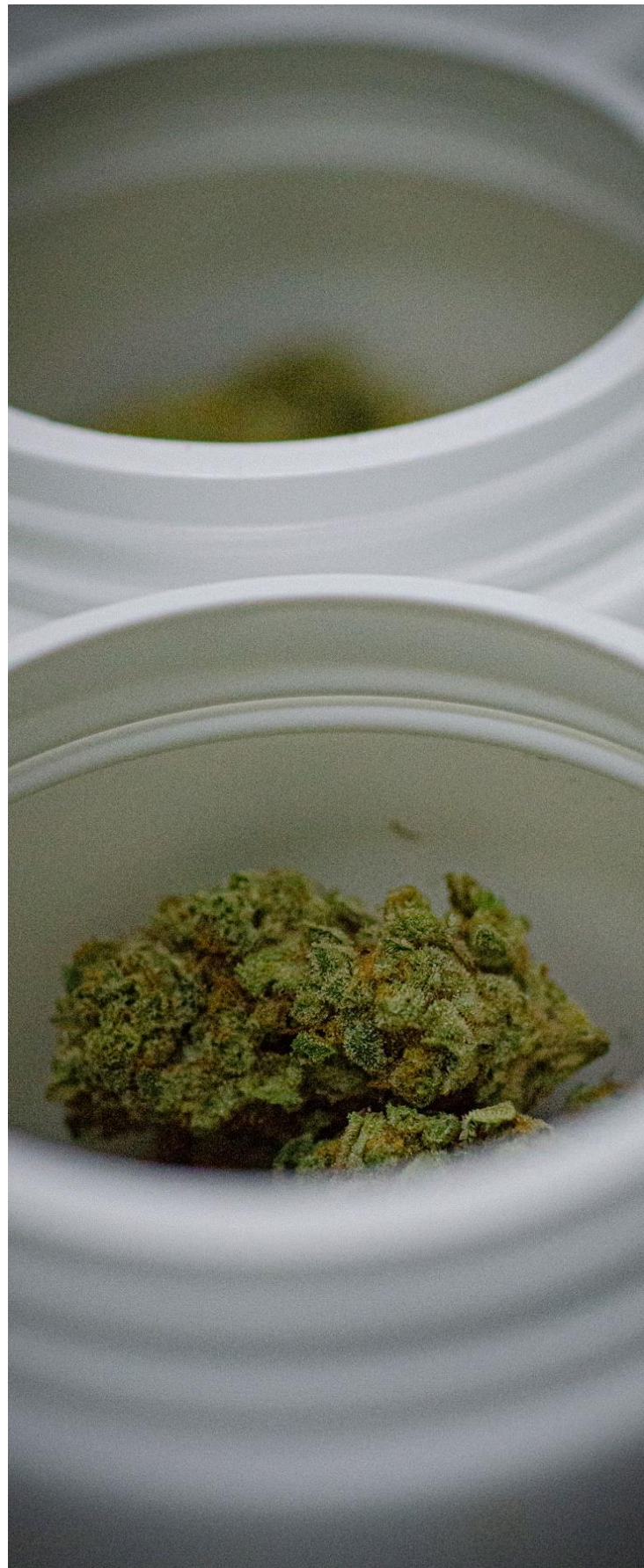
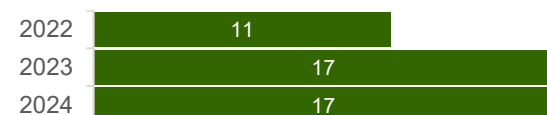
Gross Profit (\$m)

↑154%



PCEs (Number)

↑0%



Corporate Directory.

Board of Directors

Mr. Jeremy King

Mr. Michael Nitsche

Ms. Nan Maree Schoerie

Non-Executive Chair

Non-Executive Director

Managing Director

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 2024 Accomplishments.



Profitability

ECS continued its track record of delivering a net profit and three consecutive years EBITDA for its continued operations.



Growth in Sales

A thirty one percent growth in revenue with a pleasing trend in growth in export contracts.



Investment for Growth

Invested \$2.4 million in assets to support higher margin export and B2C markets.



Production Expansion

Leveraged the increased licenced capacity to expand production by 57% primarily in outdoor production to provide lower cost product to compete with cheap imports in Australian market.



Year- Round production

After a successful R&D trial 4 PCEs were equipped with heating and lighting to facilitate year-round production.



Expansion into Germany

The German legal cannabis market is \$2.1 billion (AUD), 5x greater than the local market with higher quality requirements. ECS has met all the regulatory requirements and is now supplying this market.

Business to Consumer Launch

The Company has engaged a team of Medical Science Liaisons to sell AVANI and RAP products direct to medical doctors.

Technology Advancement

Despite delays caused by GMP requirements, the foundation for the launch of VESIsorb® technology, will provide ECS with a unique advantage in delivering orally prescribed cannabis dosages.



Improved Infrastructure

A new propagation room, laboratory and genetics rooms were completed in addition to the procurement of a superior mechanical trimmer which automatically grades dried flower.

Strong ESG Credentials

ECS leverages the sun's energy, substantially reducing its Carbon footprint when compared with other growing methods. Organic and regenerative farming techniques and the use of solar energy further enhances our sustainability. The Company was awarded the Environmental, Social and Governance (ESG) Cannabiz award in 2024.

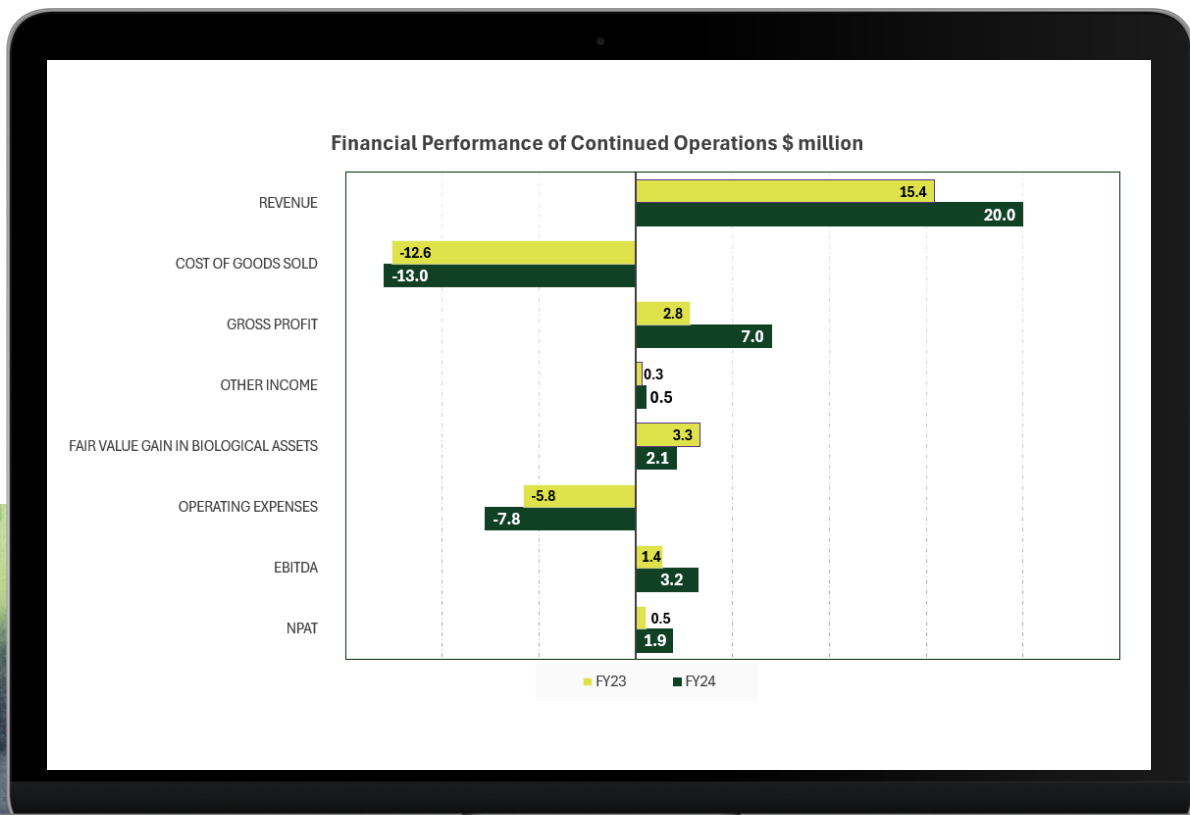
Financial Performance Summary.

46%

Gross Profit
including Fair Value gain in biological assets

35%

Gross Profit
excluding Fair Value Gain in biological assets



Message from the Managing Director.

Dear Shareholders,

FY24 has been a highly productive year for ECS Botanics, as we have successfully executed our strategic plan to grow our export business and launched our B2C division. We have significantly increased the production and quality of our medicinal cannabis dried flower, while maintaining our focus on being a low-cost producer. This has led to substantial improvements in gross margin and net profit percentages.

We are pleased to report a 30% increase in revenues compared to the previous year. This growth was driven by an expanded product range, including gummies and vapes, a boost in our export revenues to 20% of total revenue, alongside fulfilling local contracts.

The recent announcement by Germany to remove cannabis from the narcotics list has opened a market estimated at \$2.1 billion—five times larger than the Australian market. Our early investment in 2021 in a senior resource based in Europe is now showing significant returns, with progress in the UK and Germany and an anticipated launch in Poland.

Gross margins improved from 18.0% to 35.1% (excluding the impact of fair value gain in biological assets). This margin improvement is a result of an ongoing focus on productivity across the business, a change in customer mix and a strategic emphasis on increasing exports.

Our upcoming launch of VESIsorb and the continued expansion of our B2C strategy will further strengthen our gross margin position, helping to mitigate the impact of cheaper imports in Australia.

We expanded our outdoor production by 57%, increasing overall production to 6.6 tonnes, and we are on track to reach 13 tonnes by FY26. The current production increase, primarily from outdoor cultivation, is intended to allow ECS to compete more effectively with lower-priced imports.

The expansion of our PCEs and introduction of heating and lighting systems will support the

forecast growth in exports. Genetics and cultivation teams have introduced six new strains, enhancing bud structure, terpene profiles, and assay levels on existing strains, with plans to phase out some older strains and introduce more new superior genetics in FY25.

Sustainability remains a core value for ECS Botanics, and we are proud to have received organic certification (in transition) from The National Association for Sustainable Agriculture Australia (NASAA), as well as recognition from our peers with the Cannabiz ESG award for 2024.

Our strategic initiative to launch a B2C business led to the formation of a strong Medical Science Liaison team. While B2C margins are higher than B2B, the model requires consignment stock at distribution warehouses, which delays cash receipts. The new team has already secured a contract for soft gel capsules, with the RAP Veterans brand expected to launch in September. This change will have an impact on cashflow in the short term.

In June 2023, ECS secured a 10-year license agreement for VESIsorb®, a technology that increases the bioavailability of cannabinoids by 400% and allows for faster absorption. While the certification of a suitable GMP manufacturer licensed to produce cannabis soft gel capsules was delayed, we expect to start selling VESIsorb® capsules under the AVANI label through our B2C channel later this year.

In February 2024, we successfully raised \$4 million. After the reporting date, we were confirmed by the National Australia Bank that our asset finance facility was increased to \$4.4 million. As a result, the company is well-capitalised, in addition to the asset finance we have \$3.2 million in cash at the bank and an additional \$2 million in undrawn NAB debt facilities.

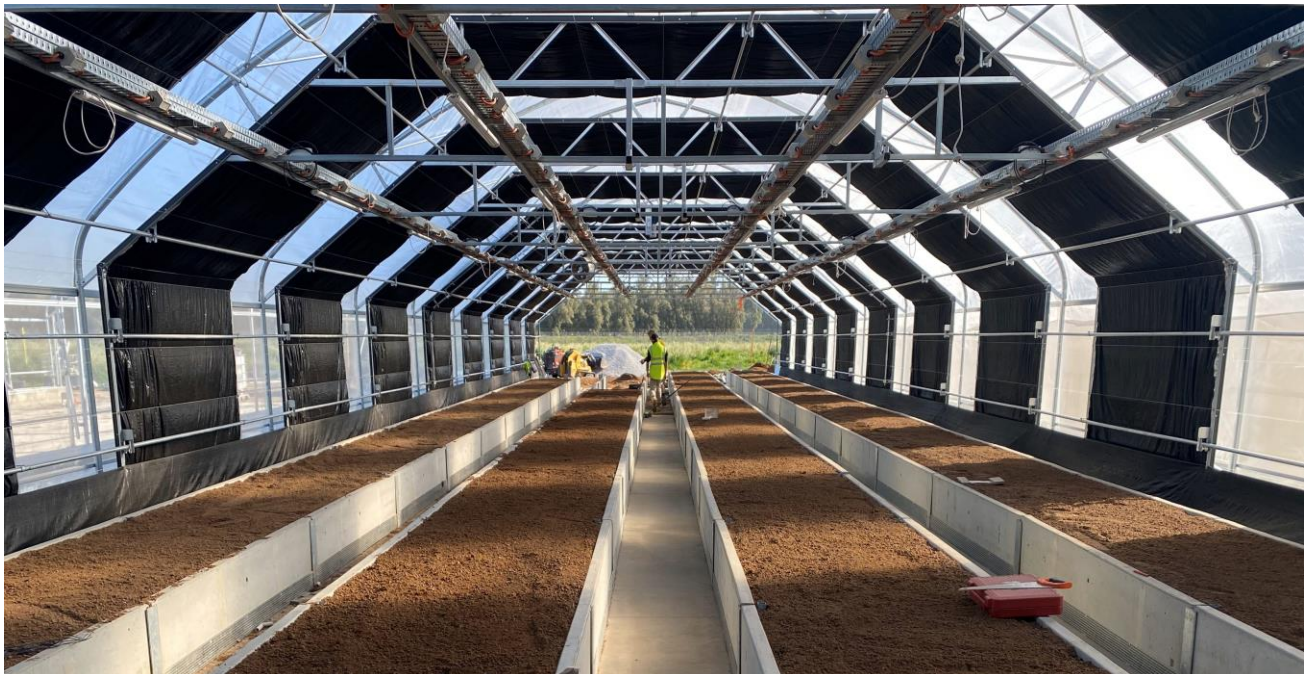
Throughout the year, we invested \$2.4 million in assets, including new genetics and propagation rooms, expanded outdoor production capacity, heating and lighting for two PCEs. Approximately \$1 million was spent on ongoing work to construct nine new PCEs, upgrade power, and install heating and lighting for year-round production. The new PCEs feature solid concrete

floors with embedded heating to enhance environmental control and cleanliness. The first of the new PCEs will begin production in early September, with all nine expected to be completed by April 2025.

These ongoing investments are essential to supporting our anticipated growth. With expanded production capacity through a mix of indoor and outdoor cultivation, we are well placed to boost exports and increase our competitiveness through a broader range of B2B and B2C products and maintain our position as Australia's leading low-cost medicinal cannabis cultivator and manufacturer.

A stylized, handwritten signature in black ink, consisting of a large, sweeping 'N' followed by a smaller, more complex set of strokes.

Nan-Maree Schoerie
Managing Director



Directors' Report.

The Directors of ECS Botanics Holdings Ltd ("ECS" or "the Company") present their report, together with the financial statements of the Company and controlled entities for the year ended 30 June 2024.

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

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 specialises 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.

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 to 20 March 2024
- Non-Executive Director of Smart Parking Limited from 1 August 2012
- Non-Executive Director of Redcastle Resources Limited from 8 June 2016 and
- Non-Executive Director of Sultan Resources Limited from 16 May 2018
- Non-Executive Director of Burgundy Diamond Mines Limited from 28 March 2024

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.

On 06 May 2024 Mr. Alex Keach has resigned from the Company's board.

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.

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

Directors' Report.

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 (expiring 31/12/2024) |
|---------------------|--------------------|---------------|--|
| Mr. Jeremy King | 6,098,485 | - | 5,000,000 |
| Mr. Michael Nitsche | - | - | - |
| Nan Maree Schoerie | 112,666,667 | - | 15,000,000 |
| Total | 118,765,152 | - | 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.

Cash and Funding

In February 2024, ECS strengthened its cash position following a successful equity raise. The placement raised \$4 million (pre-offer costs) and is being utilised to undertake expansion projects and support sales through international and B2C channels.

ECS remains well funded as at 30 June 2024, with a cash balance of \$3.2 million and a \$2.0 million undrawn NAB facility. Post-balance date, the NAB Asset Finance Facility was increased by an additional \$3.4 million to \$4.4 million.

Expansion of Facilities and Productivity Improvement

The Company continued to invest in facilities, with a new propagation room and genetics rooms. New equipment was purchased to reduce the labour requirements in post-harvest with a new more effective trimmer which also sorts Cannabis buds by size.

Further investment was made in real time monitoring equipment to mitigate the risk of environmental controls in PCEs impacting product quality and yields.

Six new outdoor fields were brought into production which resulted in the overall production of Cannabis to 6.6 tonnes. The increase in production was primarily from the outdoor grow, with the construction of the nine additional PCEs and the year-round grow adding to the FY25 forecast production.

Directors' Report.

Sales and Marketing

In May, ECS began direct-to-consumer (B2C) sales of medicinal cannabis products through a one-year agreement with Elite Medical Solutions. This partnership will retail ECS's soft gel capsules and oral liquids under the 'RAP' brand – ECS' military veteran's brand.

To further support its B2C initiative, ECS has appointed an expert medical cannabis sales team to market directly to medical professionals, informing them of the therapeutic benefits and ensuring Avani and 'RAP' branded products are widely available. The full onboarding of the sales team was completed in June, with initial revenue anticipated during the first half of FY25.

ECS' expanded its TGA GMP license to cover the packaging, labelling, storage, and release of gummies and capsules, enhancing supply efficiency from its Victorian site.

ECS is on track to introduce its AVANI range of VESIsorb capsules in the first half of FY25, which is expected to capture additional sales and drive margin expansion. 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.

In October 2023, ECS signed a \$24 million binding off-take agreement with Medicann Heath Pty Ltd ("Medicann") to supply medicinal cannabis dried flower over five years. Medicann's consistent purchase of the same strains underscored the strong demand for ECS products.

ECS signed a \$9.3 million binding off-take agreement with UK based distributor, Rokshaw a wholly owned subsidiary of Curaleaf to supply minimum 600kg of pharmaceutical-grade cannabis dried flower each year, which is expected to generate \$9.3 million in revenue for ECS.

Commercial supply to Ilios Santé commenced at the end of FY24. The first shipment sold out in less than two weeks. Based on this strong performance Ilios Santé have forecast to increase supply to 3 strains.

Production

In the year ended 30 June 2024, ECS produced 6.6 tonnes of dried cannabis flower, a 57% increase on the prior year. The significant increase in production is due to the expansion of the outdoor fields. The production included 400kg of CBD biomass which will be used for extraction purposes. Although the quality of the THC flower was very good this product cannot be exported. For this reason, ECS is investing in more PCEs.

Following a successful R&D trial four PCEs were put into production over winter. These will be harvested in August and September 2024.

An upgrade of the power supply which is currently in progress, will allow ECS to put eight of the new PCEs into production next winter. The Company is undertaking a feasibility study to increase the power supply further.

Sun Pharma have commissioned and validated the CO2 extraction process and ECS will be transitioning to using Sun Pharma to produce resin based on the offset agreement put in place in November 2021.

Directors' Report.

Organic Certification

In November ECS Botanics received an ACO Organic Certificate of Compliance in accordance with the Australian National Standard for Organic and Biodynamic Produce. ECS is however considered to be Organic "in conversion" for 12 months following certification.

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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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. Pollination of Cannabis by Hemp cultivation results in seed formation and reduces the product quality. ECS has engaged with the local hemp producers to create a 25 km exclusion zone around the facility, including in NSW. 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 | <ul style="list-style-type: none"> 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. The Company has identified all critical risks, including mental health and introduced Critical Risk Protocols which go above and beyond our standard safety policies and procedures. ECS is committed to protecting our employees and our environment from harm. Additional risk is created by undertaking in-house construction of the PCE's. Risk assessments and additional safety protocols have been introduced for the construction team. |

Directors' Report.

| | |
|---------------------------|---|
| Competitive Risk | <ul style="list-style-type: none"> The medicinal cannabis industry is undergoing rapid growth and an increasing volume of demand which could lead to oversupply. The Company is actively working with industry bodies and the Office of Drug Control to mitigate this risk. |
| Agricultural Risks | <ul style="list-style-type: none"> 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. By constructing more PCE's the company is reducing this risk. Loss of yield may adversely impact ECS' revenue, profit and business operations. |
| Contract Manufacture Risk | <ul style="list-style-type: none"> 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 undertook a capital raising during the financial year ended 30 June 2024, successfully issuing 181,818,900 ordinary shares with a total value of \$4,000,016 through a share placement on 28 February 2024.

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 June 2024.

In addition, NAB provides Asset Finance facilities with limit of \$1.0 million at 30 June 2024, which was subsequently extended to \$4.4 million on 8 July 2024. As at 30 June 2024, \$1.0 million was utilised.

Cash

The Company held a cash balance of \$3,157,509 as at 30 June 2024.

Financial Performance

The financial results of the Company for the year ended 30 June 2024 are:

| | 30-Jun-24 (\$) | 30-Jun-23 (\$) |
|------------------------------|-------------------|-------------------|
| Cash and cash equivalents | 3,157,509 | 2,542,260 |
| Net assets/(liabilities) | 28,212,526 | 22,202,194 |
| Revenue | 20,498,655 | 15,673,715* |
| Net profit/(loss) before tax | 1,915,564 | (81,759) |

*Revenue from continuing operations.

Directors' Report.

Dividends

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

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

Significant Changes In The State of Affairs

February 2024, the Company successfully completed a Placement to sophisticated investors, raising A\$4.0 million (before costs). The Placement comprises the issue of 181.8 million fully paid ordinary shares in ECS at the price of A\$0.0220 per New Share.

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.

- NAB increased the asset finance facility it has in place with the Company from \$1 million to \$4.4 million. This additional finance facility will allow ECS to continue to invest in technology and infrastructure to position the Company for further growth.

Board Appointments and Resignations

On 6 May 2024 Mr. Alex Keach has resigned from the Company's board.

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 | 4 | 4 |
| Mr. Michael Nitsche | 4 | 4 |
| Ms. Nan-Maree Schoerie | 4 | 4 |
| Mr. Alex Keach | 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 by the Board. For details of the function of the Board, please refer to the Corporate Governance Statement.

Environmental Regulation

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

Directors' Report.

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2024 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 |
| Ms. Nan-Maree Schoerie | Managing Director |
| Mr. Xiao Dong (Arthur) Sun | Chief Financial Officer |
| Mr. Alex Keach | Non-Executive Director (resigned from the board on 6 May 2024) |

From 1 July 2023, Xiao Dong (Arthur) Sun was recognised as a member of KMP, given his increased involvement within the Company.

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 | Voting of shareholders at last's years Annual General Meeting |
| D | Details of Remuneration |
| E | Service Agreements |
| F | Share-based Compensation |
| G | Equity Instruments Issued on Exercise of Remuneration Options |
| H | Other Transactions with KMP |

A. Remuneration Philosophy

KMP have authority and responsibility for planning, directing, and controlling the activities of the Company. KMP of the Company comprises of the Board of Directors and the Chief Financial Officer.

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.

Directors' Report.

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.
- When Performance Rights are provided, the Binomial Options Valuation model is used to value the Rights. The value of each Right was then multiplied by the number of Rights expected to vest to provide us with a valuation of each tranche. The probability of continuous employment was then applied to determine the number of Rights expected to vest.

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.

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.

Directors' Report.

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

ECS Botanics Holdings Limited received more than 97% approval on its remuneration report for the 2023 financial year.

D. 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 2024 is set out below:

| 30-Jun-24 | 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 | | | | | | | |
| Jeremy King | 55,333 | - | - | 6,087 | - | 25,134 | 86,554 |
| Michael Nitsche | 36,000 | - | - | 3,960 | - | - | 39,960 |
| Nan Maree Schoerie | 317,150 | - | 12,425 | 34,886 | 5,828 | 150,547 | 520,836 |
| Alex Keach* | 40,003 | - | - | 4,400 | - | - | 44,403 |
| Other KMP | | | | | | | |
| Xiao Dong (Arthur) Sun | 211,538 | | 5,197 | 23,269 | 1,730 | 20,528 | 262,262 |
| Total | 660,024 | - | 17,622 | 72,602 | 7,558 | 196,209 | 954,015 |

*On 6 May 2024 Mr. Alex Keach has resigned from the Company's board.

During the reporting period ended 30 June 2023, ECS had issued four tranches of Rights totaling 20,000,000 to the Chairman, and Managing Director, all of which were valued by an independent valuer. A total fair value had been determined of \$292,750 of which \$175,681 was expensed during this current reporting period ended 30 June 2024. 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;

Directors' Report.

During this reporting period ended 30 June 2024, ECS issued one tranche of Rights totaling 5,000,000 to the Chief Financial Officer. The rights were approved on 1 January 2024. ECS management engaged an independent valuer to measure the fair value of the rights issued. A total fair value has been determined of \$102,981 of which \$20,528 was expensed during the reporting period. The terms of the rights issued and key inputs used in the valuation have been summarised below:

Tranche E totalling 5,000,000 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 1 July 2026;

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of rights granted | Grant date | Vesting status by class | Expiry date | Share price hurdle for vesting | Fair value per right at grant date |
|------------------------|--------------------------|-------------|-------------------------|-------------|--------------------------------|------------------------------------|
| Jeremy King | 2,500,000 | 26-Oct-2022 | C | 31-Dec-2024 | \$0.0500 | \$0.0141 |
| Jeremy King | 2,500,000 | 26-Oct-2022 | D | 31-Dec-2024 | \$0.0750 | \$0.0076 |
| Nan Maree Schoerie | 3,750,000 | 26-Oct-2022 | A | 31-Dec-2024 | - | \$0.0220 |
| Nan Maree Schoerie | 3,750,000 | 26-Oct-2022 | B | 31-Dec-2024 | - | \$0.0199 |
| Nan Maree Schoerie | 3,750,000 | 26-Oct-2022 | C | 31-Dec-2024 | \$0.0500 | \$0.0141 |
| Nan Maree Schoerie | 3,750,000 | 26-Oct-2022 | D | 31-Dec-2024 | \$0.0750 | \$0.0076 |
| Xiao Dong (Arthur) Sun | 5,000,000 | 01-Jan-2024 | E | 01-Jul-2026 | - | \$0.0206 |

Table 2 – 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 | | | | | | | |
| 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 |
| Alex Keach | 121,036 | - | 35,892 | 13,633 | | - | 170,561 |
| Total | 420,105 | - | 43,782 | 45,035 | 14,015 | 66,266 | 589,203 |

*On 10 February 2023 Mr. Alex Keach resigned as the Head of Corporate Development and an executive director. Mr. Keach remained on the Board as a non-executive director until he resigned from the Board on 6 May 2024.

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 (%) | |
|------------------------|--------------------|------|-------------------|------|-------------------|------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Directors | | | | | | |
| Jeremy King | 71% | 71% | - | - | 29% | 29% |
| Michael Nitsche | 100% | 100% | - | - | - | - |
| Nan Maree Schoerie | 71% | 85% | - | - | 29% | 15% |
| Alex Keach | 100% | 100% | - | - | - | - |
| Other KMP | | | | | | |
| Xiao Dong (Arthur) Sun | 92% | - | - | - | 8% | - |

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

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

| 30 June 2024 | Balance at 01/07/2023 | Granted as Remuneration | On Exercise of Options | Net Change – Other | Balance at 30/06/2024 |
|------------------------|--------------------------|----------------------------|---------------------------|-----------------------|--------------------------|
| Directors | | | | | |
| Jeremy King | 2,765,152 | - | - | 3,333,333* | 6,098,485 |
| Michael Nitsche | - | - | - | - | - |
| Nan Maree Schoerie | 106,000,000 | - | - | 6,666,667* | 112,666,667 |
| Alex Keach | 100,253,739 | - | - | (100,253,739)* | - |
| Other KMP | | | | | |
| Xiao Dong (Arthur) Sun | - | - | - | - | - |
| Total | 209,018,891 | - | - | (90,253,739) | 118,765,152 |

*On 06 May 2024, Alex sold 50,000,000 shares on his resignation, and Nan and Jeremy acquired 6,666,667 and 3,333,333 ordinary shares subsequently. Upon Alex's resignation, his shareholding balance was 50,253,739 shares.

Directors' Report.

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

| 30 June 2024 | Balance at 01/07/2023 | Granted as Remuneration | Expiry/Elapsed Performance Rights | Converted Performance Rights | Balance at 30/06/2024 |
|------------------------|--------------------------|----------------------------|---|------------------------------------|--------------------------|
| <u>Directors</u> | | | | | |
| Jeremy King | 5,000,000 | - | - | - | 5,000,000 |
| Michael Nitsche | - | - | - | - | - |
| Nan Maree Schoerie | 15,000,000 | - | - | - | 15,000,000 |
| Alex Keach | - | - | - | - | - |
| <u>Other KMP</u> | | | | | |
| Xiao Dong (Arthur) Sun | - | 5,000,000 | - | - | 5,000,000 |
| Total | 20,000,000 | 5,000,000 | - | - | 25,000,000 |

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

| 30 June 2024 | Balance at 01/07/2023 | Granted as Remuneration | On Exercise of Options | Net Change – Other | Balance at 30/06/2024 |
|------------------------|--------------------------|----------------------------|---------------------------|-----------------------|--------------------------|
| <u>Directors</u> | | | | | |
| Jeremy King | 757,576 | - | - | (757,576)* | - |
| Michael Nitsche | - | - | - | - | - |
| Nan Maree Schoerie | - | - | - | - | - |
| Alex Keach | - | - | - | - | - |
| <u>Other KMP</u> | | | | | |
| Xiao Dong (Arthur) Sun | - | - | - | - | - |
| Total | 757,576 | - | - | (757,576) | - |

*Expiry of Options on 17 December 2023

Directors' Report.

E. Service Agreements

1. Jeremy King – Non-Executive Chair

- Contract: Commenced on 8 May 2019
- Director's Fee: \$65,000 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. Michael Nitsche – Non-Executive Director

- 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

3. Nan Maree Schoerie – Managing Director

- Contract: Commenced on 15 March 2021
- Salary and fees: \$324,770 plus 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

4. Xiao Dong (Arthur) Sun – Chief Financial Officer

- Contract: Commenced on 14 April 2022
- Salary and fees: \$218,360 plus 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

5. Alex Keach – Non-Executive Director

- Contract: Commenced on 10 February 2023
- Director's Fee: \$56,000 plus superannuation per annum
- Term: Appointment as a Non-Executive Director is in accordance with the Constitution of the Company and subject to the provisions dealing with retirement by rotation and the various provisions relating to the election of directors
- Termination: On 6 May 2024 Mr. Alex Keach resigned from the Company's board

Directors' Report.

F. 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 ended 30 June 2024, the Company issued 5,000,000 Performance Rights Mr. Xiao Dong (Arthur) Sun, expiring on 1 July 2026. And Management reassessed the probability of achieving the non-market based performance condition of Tranche B in the year ended 30 June 2024 to 100% (2023: 0%).

Additional information:

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|--------------------------------|------------|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Sales Revenue | 20,498,655 | 15,673,715* | 5,613,739* | - | - |
| EBITDA | 3,220,099 | 1,375,045 | 919,128 | 1,384 | - |
| EBIT | 1,845,176 | 1,002,094 | (339,792) | (4,900,634) | (4,544,643) |
| Profit/(Loss) after income tax | 1,915,564 | (81,759) | (1,103,293) | (5,088,560) | (4,567,021) |

*Revenue from continuing operations.

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|--------|----------|----------|----------|----------|
| Share price at financial year end (\$) | 0.017 | 0.023 | 0.023 | 0.039 | 0.019 |
| Total dividends declared | - | - | - | - | - |
| Basic earnings/(loss) per share (cents per share) | 0.1640 | (0.0074) | (0.1084) | (0.6400) | (0.9000) |

G. Equity Instruments Issued on Exercise of Remuneration Options

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

H. Other Transactions with KMP

| | 30-Jun-24 | 30-Jun-23 |
|---|----------------|----------------|
| | \$ | \$ |
| The following transactions occurred with related parties: | | |
| Mirador Corporate Pty Ltd⁽ⁱ⁾ | 72,450 | 102,264 |
| Pharmout⁽ⁱⁱ⁾ | 24,689 | 70,629 |
| Qiksolve Pty Ltd⁽ⁱⁱⁱ⁾ | 47,157 | 30,146 |
| Total | 144,296 | 203,039 |

- Mirador Corporate Pty Ltd was paid for company secretarial to the Company, of which Jeremy King is a director.
- PharmOut was paid for regulatory advice, an entity owned by a close family member of Nan-Maree Schoerie.
- 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 2024.

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 |
|-------------|-------------|----------------|---------------------|
| 28 Feb 2024 | 28 Jun 2026 | \$0.033 | 20,000,000 |

No ordinary shares of ECS Botanics Holdings Ltd were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of options previously 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.

Officers of the Company who are former directors of William Buck

There are no officers of the company who are former directors 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

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 27](#) to the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

Directors' Report.

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
- ii) 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 2024 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 2001** is set out on page 28.

Managing Director and CFO declaration

Managing Director and CFO have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the Corporations Act 2001 and recommendation 4.2 [GF1] of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (4th edition) in regards to the integrity of the financial statements.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.



Nan-Maree Schoerie

Managing Director
12 September 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of ECS Botanics Holdings Ltd

As lead auditor for the audit of ECS Botanics Holdings Ltd for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, 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.

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

Yours faithfully,



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



J. C. Luckins
Director
Melbourne, 13 September 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income.

| | Note | 2024 \$ | 2023 \$ |
|---|--------------------|------------------|-----------------|
| Revenue from continuing operations | | | |
| Revenue | 4 | 20,030,356 | 15,388,929 |
| Other income | 4 | 468,299 | 284,786 |
| Expenses | | | |
| Cost of sales | 5 | (13,003,485) | (12,618,685) |
| Employment and consulting | 5 | (4,130,403) | (3,240,139) |
| Corporate expenses | 5 | (1,933,387) | (1,802,800) |
| Inventory impairment | 10 | (1,620,680) | (727,461) |
| Finance costs | | (61,773) | (40,511) |
| Research and development expenses | | (10,000) | (21,559) |
| Fair-Value gain on biological assets | 11 | 2,106,249 | 3,268,811 |
| Profit before income tax | | 1,845,176 | 491,371 |
| Income tax benefit | 6 | 70,388 | - |
| Profit from continuing operations | | 1,915,564 | 491,371 |
| Loss from discontinued operation, net of tax | 3 | - | (573,130) |
| Profit/(Loss) for the period | | 1,915,564 | (81,759) |
| 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 profit/(loss) attributable to the members of ECS Botanics Holdings Limited | | 1,915,564 | (81,759) |
| Loss per share from discontinued operations attributable to the members of ECS Botanics Holdings Limited | | | |
| Basic loss per share (cents) | 20 | - | (0.0518) |
| Diluted loss per share (cents) | 20 | - | (0.0518) |
| Earnings per share from continuing operations attributable to the members of ECS Botanics Holdings Limited | | | |
| Basic earnings per share (cents) | 20 | 0.1640 | 0.0444 |
| Diluted earnings per share (cents) | 20 | 0.1572 | 0.0395 |
| Earnings/(Loss) per share for the year attributable to the members of ECS Botanics Holdings Limited | | | |
| Basic earnings/(loss) per share (cents) | 20 | 0.1640 | (0.0074) |
| Diluted earnings/(loss) per share (cents) | 20 | 0.1572 | (0.0074) |

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-24 \$ | 30-Jun-23 \$ |
|--------------------------------------|--------------------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 3,157,509 | 2,542,260 |
| Trade and other receivables | 8 | 1,786,844 | 2,545,694 |
| Deposits and advances | 9 | 1,666,812 | 1,061,875 |
| Inventory | 10 | 12,982,872 | 7,965,058 |
| Biological assets | 11 | 88,431 | - |
| Total current assets | | 19,682,468 | 14,114,887 |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 8,547,760 | 7,570,493 |
| Intangible assets | 13 | 2,211,971 | 2,514,280 |
| Goodwill | 13 | 1,050,000 | 1,050,000 |
| Other non-current trade receivables | 8 | 1,238,600 | 877,800 |
| Deferred tax assets | 6 | 150,429 | - |
| Total non-current assets | | 13,198,760 | 12,012,573 |
| Total assets | | 32,881,228 | 26,127,460 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 2,968,106 | 2,375,371 |
| Employee provisions | 15 | 264,979 | 228,054 |
| Contract liabilities | 16 | 411,734 | 991,744 |
| Hire purchase liability | 17 | 238,674 | 68,974 |
| Total current liabilities | | 3,883,493 | 3,664,143 |
| Non-current liabilities | | | |
| Hire purchase liability | 17 | 785,209 | 261,123 |
| Total non-current liabilities | | 785,209 | 261,123 |
| Total liabilities | | 4,668,702 | 3,925,266 |
| Net Assets | | 28,212,526 | 22,202,194 |
| Equity | | | |
| Contributed equity | 18 | 36,532,054 | 32,786,341 |
| Reserves | 19 | 415,322 | 364,853 |
| Accumulated losses | | (8,734,850) | (10,949,000) |
| Total equity | | 28,212,526 | 22,202,194 |

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 2023 | 32,786,341 | 364,853 | (10,949,000) | 22,202,194 |
| Profit for the year | - | - | 1,915,564 | 1,915,564 |
| Total comprehensive income for the year after tax | - | - | 1,915,564 | 1,915,564 |

Transactions with owners in their capacity as owners:

| | | | | |
|--|-------------------|----------------|--------------------|-------------------|
| Issue of share capital (net of costs) | 3,745,713 | - | - | 3,745,713 |
| Issue of options | - | 134,343 | - | 134,343 |
| Transfer of fair value of lapsed options | - | (250,574) | 250,574 | - |
| Vesting of performance rights | - | 214,712 | - | 214,712 |
| Forfeiture of performance rights | - | (48,012) | 48,012 | - |
| Balance at 30 June 2024 | 36,532,054 | 415,322 | (8,734,850) | 28,212,526 |

| | 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:

| | | | | |
|--------------------------------|-------------------|----------------|---------------------|-------------------|
| Vesting of performance rights | - | 114,279 | - | 114,279 |
| Balance at 30 June 2023 | 32,786,341 | 364,853 | (10,949,000) | 22,202,194 |

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 | 2024 \$ | 2023 \$ |
|---|----------------------|--------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 19,403,543 | 16,064,254 |
| Payment to suppliers and employees | | (20,878,213) | (15,676,255) |
| Interest received | | 35,355 | 23,680 |
| Interest paid | | (46,830) | (9,000) |
| Net cash inflow/(outflow) from operating activities | 7(a) | (1,486,145) | 402,679 |
| Cash flows from investing activities | | | |
| Purchase of PPE | | (2,392,407) | (3,105,940) |
| Disposal of discontinued operation, net of cash disposed of | 3 | - | 3,213,796 |
| Distributions from equity-accounted investees | | - | 48,050 |
| Acquisition of intangible assets | | - | (193,265) |
| Net cash outflow from investing activities | | (2,392,407) | (37,359) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 859,521 | 355,108 |
| Proceeds from the issue of shares (net of costs) | | 3,800,015 | - |
| Lease repayments | | (165,735) | (44,349) |
| Net cash inflow from financing activities | | 4,493,801 | 310,759 |
| Net (decrease) / increase in cash and cash equivalents | | 615,249 | 676,079 |
| Cash and cash equivalents at the beginning of the period | | 2,542,260 | 1,866,181 |
| Cash and cash equivalents at the end of the period | 7 | 3,157,509 | 2,542,260 |

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

Material Accounting Policy Information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

a) Reporting Entity

ECS Botanics 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 Botanics 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 Botanics 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 12 September 2024.

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 2022 to 30 June 2023.

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.

Notes to The Consolidated Financial Statements.

NOTE 1

Material Accounting Policy Information

e) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ECS Botanics Holdings Limited ('Company' or 'parent entity') as at 30 June 2024 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) 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 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

Notes to The Consolidated Financial Statements.

NOTE 1

Material Accounting Policy Information

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.

Grant funding

Flood supports, Research and Development (R&D) Grant, EMDG, and Government labour assistance 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.

g) 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.

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 |

h) 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

Notes to The Consolidated Financial Statements.

NOTE 1

Material Accounting Policy Information

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.

i) 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.

j) 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.

k) 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 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

Notes to The Consolidated Financial Statements.

NOTE 1

Material Accounting Policy Information

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.

l) 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.

m) 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.

n) Share-based payments

Equity-settled share-based compensation benefits are provided to employees, directors, and the lead manager. Equity-settled transactions are awards of shares, or options over shares, or rights over shares that are provided to employees and directors 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 rate for the term of the option and the rights, 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.

Notes to The Consolidated Financial Statements.

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Material Accounting Policy Information

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.

o) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Group, 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 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.

p) 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to The Consolidated 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 19.

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, 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 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.

Provision for impairment of inventories

Notes to The Consolidated Financial Statements.

NOTE 2

Critical Accounting Estimates And Judgements And Assumption

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.

Results of discontinued operation

| | 30-Jun-24 | 30-Jun-23 |
|--|-----------|-----------|
| | \$ | \$ |
| Revenue | - | (71,488) |
| Expenses | - | (191,503) |
| Results from operating activities | - | (262,991) |
| Income tax | - | - |
| Result from operating activities, net of tax | - | (262,991) |
| 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) |
| Basic (loss) per share (cent) | - | (0.05) |
| Diluted (loss) per share (cent) | - | (0.05) |

Cash flows from (used in) discontinued operation

| | 30-Jun-24 | 30-Jun-23 |
|---------------------------------------|-----------|------------|
| | \$ | \$ |
| Net cash used in operating activities | - | (440,813) |
| Net cash from investing activities | - | 3,213,796* |
| Net cash flows for the year | - | 2,772,983 |

Notes to The Consolidated Financial Statements.

NOTE 3

Discontinued Operations

Effect of disposal on the financial position of the Group

| | 30-Jun-24 | 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.

Notes to The Consolidated Financial Statements.

NOTE 4

Revenue

| Revenue | 30-Jun-24 \$ | 30-Jun-23 \$ |
|--------------------|-------------------|-------------------|
| Wholesale sales | 19,243,756 | 14,563,216 |
| Services over time | 786,600 | 825,713 |
| | 20,030,356 | 15,388,929 |

During the year ended 30 June 2024, 51% (2023: 40%) 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 | FY2024 | FY2023 |
|-----------|-------------|-------------|
| Company A | 28% | 23% |
| Company E | 12% | 8% |
| Company F | 11% | 7% |
| Other | 49% | 60% |
| | 100% | 100% |

| Other income | 30-Jun-24 \$ | 30-Jun-23 \$ |
|------------------------------|-----------------|-----------------|
| Government grants | 417,545 | 260,606 |
| Interest income | 35,355 | 23,680 |
| Other income | 15,399 | - |
| Profit on disposal of assets | - | 500 |
| | 468,299 | 284,786 |

NOTE 5

Expenses

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|---------------------------------------|---------------------|---------------------|
| Cost of products or raw materials | (12,936,659) | (12,600,457) |
| Wages and superannuation | (3,501,176) | (2,714,014) |
| Depreciation and amortisation expense | (1,328,092) | (1,043,342) |
| Professional fees | (574,006) | (450,273) |
| Administration | (314,474) | (635,102) |
| Share based payment expense | (214,712) | (114,279) |
| Directors' fees | (131,333) | (85,929) |
| Consumable & processing costs | (66,825) | (18,228) |
| Total | (19,067,277) | (17,661,624) |

Notes to The Consolidated Financial Statements.

NOTE 6

Income Tax

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|--|-------------------------|-------------------------|
| (a) The components of tax expense comprise: | | |
| Current tax expense | - | - |
| Deferred tax (benefit) | 473,442 | - |
| Recognition of opening deferred tax asset, including tax losses | (543,830) | - |
| Income tax (benefit) reported in the statement of profit or loss and other comprehensive income | (70,388) | - |
| | 30-Jun-24 \$ | 30-Jun-23 \$ |
| (b) The prima facie tax on loss from ordinary activities before tax is reconciled to the income tax as follows: | | |
| Profit/(loss) before income tax expense | 1,845,176 | (81,759) |
| Prima facie tax expense/(benefit) on profit before income tax at 25% | 461,294 | (20,440) |
| <i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i> | | |
| Share Based Payments | 53,678 | 28,570 |
| License Amortisation | 75,577 | 75,371 |
| Other | (117,107) | 460,329 |
| Less: Recognition of opening deferred tax asset, including tax losses* | (543,830) | - |
| Less: R&D tax offset | - | (290,145) |
| Less: Income tax expense not recognised | - | (253,685) |
| Income tax (benefit)/expense reported in the statement of profit or loss and other comprehensive income | (70,388) | - |
| | 30-Jun-24 \$ | 30-Jun-23 \$ |
| Reconciliation of deferred tax balances | | |
| Opening balance at the beginning of the reporting period | - | - |
| Recognition of opening deferred tax asset, including tax losses* | 543,830 | - |
| Recognition of Business-related costs | 167,801 | - |
| Transfer to tax expense | (473,442) | - |
| Transfer to equity cost | (87,760) | - |
| Closing balance at the end of the reporting period | 150,429 | - |
| Deferred tax assets and liabilities not recognised | | |
| Tax losses | 12,224,502 | 12,866,747 |
| Capital losses | 74,348 | 74,348 |
| Net deferred tax asset not recognised | 12,298,850 | 12,941,095 |

*The Company sought professional advice from William Buck Tax consultants to assess the ability of the Company to satisfy the Continuity of Ownership Test (COT) in connection with carried forward tax losses per Income Tax Assessment Act 1997 (ITAA 1977). Consequently, it was determined that \$543,830 of deferred tax assets are to be taken up at this time.

Notes to The Consolidated Financial Statements.

NOTE 7

Cash and Cash Equivalents

| | 30-Jun-24 | 30-Jun-23 |
|--------------|-----------|-----------|
| | \$ | \$ |
| Cash at bank | 3,157,509 | 2,542,260 |

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 22.

| | 30-Jun-24 | 30-Jun-23 |
|--|--------------------|-----------------|
| | \$ | \$ |
| a) Reconciliation of net loss after tax to net cash flows from operations | | |
| Profit/(Loss) for the financial year | 1,915,564 | (81,759) |
| Adjustments for Non-Cash Items: | | |
| Depreciation and amortisation | 1,328,092 | 1,043,342 |
| Investment in Tap Agrico P&L uptake | - | (14,574) |
| Share based payments | 214,713 | 114,279 |
| Inventory write-off | 1,620,680 | 785,611 |
| Fair-Value gain on biological assets | (2,106,249) | (3,268,811) |
| Income tax benefit | (70,388) | - |
| Changes in assets and liabilities | | |
| (Increase)/decrease in receivables | 398,050 | (1,283,001) |
| (Increase)/decrease in prepayments | (208,834) | (848,677) |
| (Increase)/decrease in inventory | (5,106,245) | 647,967 |
| Decrease in non-current assets held for sale | - | 1,523,521 |
| Increase/(decrease) in payables | 576,677 | 1,222,273 |
| Increase/(decrease) in provisions and other liabilities | (48,205) | 562,508 |
| Net cash (used in)/from operating activities | (1,486,145) | 402,679 |

There are no other non-cash financing and non-cash investing activities identified for the year ended 30 June 2024.

Notes to The Consolidated Financial Statements.

NOTE 8

Trade and Other Receivables

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|-------------------------|------------------|------------------|
| Trade receivables | 1,662,097 | 2,028,267 |
| Other trade receivables | 114,400 | 475,200 |
| Other receivables | 10,347 | 42,227 |
| | 1,786,844 | 2,545,694 |

Allowance for expected credit loss

Receivables past due but not considered impaired are \$2,634 (2023: \$92,646). 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 22.

On that basis, the loss allowance as at 30 June 2024 was determined as follows:

| 30 June 2024 | 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 \$ | 1,654,384 | 4,479 | 599 | 2,634 | 1,662,097 |

Other Non-current trade receivables

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|--------------------------------------|------------------|-----------------|
| Other Non-current trade receivables* | 1,238,600 | 877,800 |

*During the year ended 30 June 2023, 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 2024, \$114,400 is included in Trade and other receivables and \$1,238,600 is included in Other Non-current trade receivables to reflect this arrangement.

NOTE 9

Deposits and Advances

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|-----------------------|------------------|------------------|
| Deposits and advances | 1,666,812 | 1,061,875 |

Notes to The Consolidated Financial Statements.

NOTE 10

Inventories

| | 30-Jun-24 | 30-Jun-23 |
|----------------|-------------------|------------------|
| | \$ | \$ |
| Raw materials | 1,049,731 | 604,769 |
| Finished goods | 11,933,141 | 7,360,289 |
| | 12,982,872 | 7,965,058 |

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 2024, \$1,620,680 (2023: \$727,461) of inventory impairment was measured and recognised associated with high-quality control procedures in place. Remaining inventory costs were included within cost of sales.

During the year ended 30 June 2024, \$2,106,249 (2023: \$3,268,811) was recognised as the fair value gain on biological assets.

NOTE 11

Biological assets

| | 30/06/2024 | 30/06/2023 |
|-------------------------|---------------|------------|
| | \$ | \$ |
| Biological asset | 88,431 | - |

Reconciliations of changes in the carrying amount of biological assets:

| | Total |
|------------------------------------|---------------|
| | \$ |
| Balance as at 1 July 2023 | - |
| Addition from cultivation | 3,021,044 |
| Addition from change in fair value | 2,106,249 |
| less reclassified as inventory | (5,038,862) |
| Balance as at 30 June 2024 | 88,431 |

The movement above includes biological assets reclassified as inventory at the point of harvest. Includes physical changes as a result of biological transformation such as growth. Biological assets balance is measured at Fair Value as at 30 June 2024. During the reporting period, gains of \$2,106,249 (2023: \$3,268,811) were recognised, arising from changes in fair value less costs.

Notes to The Consolidated Financial Statements.

NOTE 12

Property, Plant and Equipment

| | Land | Buildings | Other farm assets | Property plant and equipment | Motor vehicles | Construction in Progress | Total |
|---------------------------------|----------------|------------------|-------------------|------------------------------|----------------|--------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | |
| Balance at 1 July 2023 | 816,146 | 3,035,402 | 3,317,981 | 1,653,678 | 34,909 | - | 8,858,116 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - |
| Additions | - | 362,396 | 475,135 | 530,298 | 47,516 | 580,959 | 1,996,304 |
| Reclassification of Assets | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - |
| Balance at 30 June 2024 | 816,146 | 3,397,798 | 3,793,116 | 2,183,976 | 82,425 | 580,959 | 10,854,420 |
| Accumulated depreciation | | | | | | | |
| Balance at 1 July 2023 | - | 262,227 | 755,476 | 235,013 | 34,909 | - | 1,287,625 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - |
| Depreciation for the year | - | 116,773 | 668,212 | 226,910 | 7,140 | - | 1,019,035 |
| Impairment of Asset | - | - | - | - | - | - | - |
| Balance at 30 June 2024 | - | 379,000 | 1,423,688 | 461,923 | 42,049 | - | 2,306,660 |
| Carrying amounts | | | | | | | |
| at 30 June 2024 | 816,146 | 3,018,798 | 2,369,428 | 1,722,053 | 40,376 | 580,959 | 8,547,760 |
| at 30 June 2023 | 816,146 | 2,773,175 | 2,562,505 | 1,418,665 | - | - | 7,570,491 |

Notes to The Consolidated Financial Statements.

NOTE 12

Property, Plant and Equipment

| | Land | Buildings | Other farm assets | Property plant and equipment | Motor vehicles | Construction in Progress | Total |
|---------------------------------|----------------|------------------|-------------------|------------------------------|----------------|--------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | |
| Balance at 1 July 2022 | 816,146 | 2,581,690 | 1,314,421 | 1,005,010 | 34,909 | - | 5,752,176 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - |
| Additions | - | 453,712 | 2,003,560 | 648,668 | - | - | 3,105,940 |
| Reclassification of Assets | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - |
| Balance at 30 June 2023 | 816,146 | 3,035,402 | 3,317,981 | 1,653,678 | 34,909 | - | 8,858,116 |
| 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 13

Intangible Assets

Intangible assets

| | 30-Jun-24 | 30-Jun-23 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| Intangible assets | 3,208,103 | 3,208,103 |
| Less accumulated amortisation | (996,132) | (693,823) |
| | 2,211,971 | 2,514,280 |

The amortisation expense during the reporting period was \$302,309 (2023: \$301,843).

The movement of intangible assets during the reporting period:

| | \$ |
|--|------------------|
| Opening balance as at 1 Jul 2023 | 2,514,280 |
| Amortisation during the reporting period | (302,309) |
| Closing balance as at 30 June 2024 | 2,211,971 |

Goodwill

| | 30-Jun-24 | 30-Jun-23 |
|----------|-----------|-----------|
| | \$ | \$ |
| 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 realised through the purchase of property Flowerday and Murray Meds. The goodwill has been allocated to ECS Botanics' MC Cash Generating Unit (CGU) for impairment testing using the value in use method. Value in use has been derived by calculating the discounted value of net cash flows expected to be derived from the CGU. Value in use has been based on a Board approved budget for year 1, forecasts based off the following assumptions for years 2-5 with a terminal value calculated to simulate the value of cash flows beyond that period.

| Key Assumption | Input |
|---------------------------------------|---|
| Board approved CGU budget | Year 1 (2025) |
| Average annual growth rate (Year 2-5) | 13.75% |
| Average gross margin | 43.04% |
| Pre-tax discount rate | 15.25% |
| Long-term growth rate | 0% |
| Short-term growth rate | Average annual growth rate over years 2-5 based on management's expectations of market development |
| Average gross margin | Average annual gross margin over the five-year forecast period based on the past performances and expectations for the future |
| Pre-tax discount rate | Reflect specific risks relating to the entity and the industries which it operates within |

Notes to The Consolidated Financial Statements.

NOTE 13

Intangible Assets (Continued)

Sensitivity analysis

Management have considered and assessed the sensitivities associated with the key assumptions noted above. The sensitivity analysis highlighted the following:

- Revenue growth rate would need to decrease by more than 8.99% before goodwill would need to be impaired, with all other assumptions remaining constant.
- Gross margins would need to decrease by more than 11.66% before goodwill would need to be impaired, with all other assumptions remaining constant.
- The pre-tax discount rate would need to increase by 15.26% before goodwill would need to be impaired, with all other assumptions remaining constant.

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

NOTE 14

Trade and Other Payables

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|-----------------------------|------------------|------------------|
| Trade Payables | 2,159,333 | 1,735,838 |
| Accruals and Other Payables | 808,773 | 137,748 |
| GST | - | 177,785 |
| | 2,968,106 | 2,375,371 |

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 22.

NOTE 15

Employee Provisions

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|------------------------------|-----------------|-----------------|
| Annual leave provision | 223,234 | 197,103 |
| Long service leave provision | 41,745 | 30,951 |
| | 264,979 | 228,054 |

Notes to The Consolidated Financial Statements.

NOTE 16

Contract Liabilities

| | 30-Jun-24 | 30-Jun-23 |
|----------------------|----------------|----------------|
| | \$ | \$ |
| Contract liabilities | 411,734 | 991,744 |
| | 411,734 | 991,744 |

As at 30 June 2024, the Company has contractual obligations to supply customers with deposits committed as below:

| | 30-Jun-24 |
|--|----------------|
| | \$ |
| Opening balance as at 1 Jul 2023 | 991,744 |
| Contract revenue recognised during the reporting period | (2,881,265) |
| Additional contract liabilities recognised during the period | 2,301,255 |
| Closing balance as at 30 June 2024 | 411,734 |

NOTE 17

Hire Purchase Liability

| | 30-Jun-24 | 30-Jun-23 |
|-------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Hire purchase liability | 304,635 | 90,848 |
| Unexpired interest | (65,961) | (21,874) |
| | 238,674 | 68,974 |
| Non-current | | |
| Hire purchase liability | 889,267 | 301,592 |
| Unexpired interest | (104,058) | (40,469) |
| | 785,209 | 261,123 |

During the reporting period ended 30 June 2024, the financial lease arrangements have been entered to purchase equipment.

Notes to The Consolidated Financial Statements.

NOTE 18

Issued Capital

| | 30-Jun-24 | 30-Jun-23 |
|--|------------|------------|
| | \$ | \$ |
| Issued and Fully Paid Ordinary Shares* | 36,532,054 | 32,786,341 |

| | Date | Issue price | No. of Shares | \$ |
|--------------------------------------|------------|-------------|---------------|------------|
| Balance at the beginning of the year | 1/07/2023 | | 1,106,730,667 | 32,786,341 |
| Ordinary shares issued to investors | 28/02/2024 | \$0.022 | 181,818,900 | 4,000,016 |
| Capital raising costs | - | | - | (254,303) |
| Balance at the end of year | 30/06/2024 | | 1,288,549,567 | 36,532,054 |

*Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

NOTE 19

Share Based Payments

| | 30-Jun-24 | 30-Jun-23 |
|---|----------------|----------------|
| | \$ | \$ |
| Share based payments reserve | | |
| Options issued to lead manager of placement ¹ | 134,343 | - |
| Vesting of Performance rights ² | 214,712 | 114,279 |
| | 349,055 | 114,279 |
| Movement in reserves | \$ | \$ |
| Opening balance at the start of the reporting period | 364,853 | 250,574 |
| Options issued to lead manager of placement ^{1b} | 134,343 | - |
| Lapse of options ^{1a} | (250,574) | - |
| Vesting of performance rights ^{2a} | 214,712 | 114,279 |
| Forfeiture of performance rights ^{2b} | (48,012) | - |
| Closing balance at the end of the reporting period | 415,322 | 364,853 |

1. Options

- 1a On 17 December 2023, 12,000,000 quoted lead manager options with an exercise price of \$0.08 expired and lapsed. The fair value transferred comprises of \$220,574 on options which expired in the previous financial year, that was only transferred in the current financial year, and \$30,000 on the fair value of advisor options granted, which expired in this current financial year.
- 1b On 28 February 2024, 20,000,000 unquoted options were issued and held by Bell Potter with an exercise price of \$0.033 and an expiry date of 28 February 2026. Based on the measurement by an independent valuer, the total fair value of \$134,343 has been recognised in reserves. The option granted was recognised in reserves as a capital raising cost.

Notes to The Consolidated Financial Statements.

NOTE 19

Share Based Payments (Continued)

Details of unexpired option grants are set out below:

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired /other | Balance at the end of the year |
|---------------------------------|-------------|----------------|----------------------------------|------------|-----------|----------------|--------------------------------|
| 14/01/2022 | 17/12/2023 | \$0.080 | 12,000,000 | - | - | (12,000,000) | - |
| 28/02/2024 | 28/02/2026 | \$0.033 | - | 20,000,000 | - | - | 20,000,000 |
| | | | 12,000,000 | 20,000,000 | - | (12,000,000) | 20,000,000 |
| Weighted average exercise price | | | \$0.080 | \$0.033 | \$0.000 | \$0.080 | \$0.033 |
| Options exercisable | | | 12,000,000 | 20,000,000 | - | | 20,000,000 |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.01 years (30 June 2023: 0.47 years).

For the option granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant Date | Expiry Date | Share Price at Grant Date | Share Price Hurdle for Vesting | Expected Volatility | Dividend Yield | Risk-Free Interest Rate | Fair Value at Grant Date |
|------------|-------------|---------------------------|--------------------------------|---------------------|----------------|-------------------------|--------------------------|
| 28/02/2024 | 28/02/2026 | \$0.0230 | - | 77.31% | - | 3.876% | \$0.0067 |

2. Performance rights

During this reporting period ended 30 June 2024, ECS issued two tranches of Rights totaling 10,000,000 to the Chief Financial Officer and Greenhouse Cultivation Manager. The rights were approved on 1 January 2024. ECS management engaged an independent valuer to measure the fair value of the rights issued. A total fair value has been determined of \$205,058 of which \$39,032^{2a} was expensed during the reporting period. The terms of the rights issued and key inputs used in the valuation have been summarised below:

Tranche E totalling 5,000,000 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 1 July 2026;

Tranche F totalling 5,000,000 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 September 2026;

During the reporting period ended 30 June 2023, ECS had issued five tranches of Rights totaling 26,000,000 to the Chairman, Managing Director, and the Business Development Manager, all of which were valued by an independent valuer. A total fair value had been determined of \$374,125 of which \$101,056^{2a} was expensed during this current reporting period ended 30 June 2024.

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;

Notes to The Consolidated Financial Statements.

NOTE 19

Share Based Payments (Continued)

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.

^{2b}During the year ended 30 June 2024, 6,000,000 Rights (Tranche BB) was forfeited, as the vesting conditions were unable to be achieved. The impact of this on the financial statements was \$48,012.

For the current performance rights granted, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Tranche | A | B | C | D | E | F |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Grant Date | 26-Oct-22 | 26-Oct-22 | 26-Oct-22 | 26-Oct-22 | 1-Jan-24 | 1-Jan-24 |
| Number of Rights | 3,750,000 | 3,750,000 | 6,250,000 | 6,250,000 | 5,000,000 | 5,000,000 |
| Expected life of the right (days) | 790 | 790 | 790 | 790 | 913 | 1,004 |
| Management probability | 100% | 100% | 100% | 100% | 100% | 100% |
| Share price at grant date (\$) | \$0.0220 | \$0.0220 | \$0.0220 | \$0.0220 | \$0.0230 | \$0.0230 |
| Fair value per right (\$) | \$0.0220 | \$0.0199 | \$0.0141 | \$0.0076 | \$0.0206 | \$0.0204 |
| Total value at grant date (\$) | \$82,500 | \$74,625 | \$88,125 | \$47,500 | \$102,981 | \$102,077 |

| Key Management Personnel and other employees | 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 | 0.0199 | 74,625* |
| 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 | | 238,500 |
| Arthur Sun | E | 5,000,000 | 0.0206 | 102,981 |
| Arthur Sun Total | | 5,000,000 | | 102,981 |
| David Marr | F | 5,000,000 | 0.0204 | 102,077 |
| David Marr Total | | 5,000,000 | | 102,077 |
| Grand Total | | 30,000,000 | | 497,808 |

*2a Management reassessed the probability of achieving the non-market based performance condition in the year ended 30 June 2024 to 100% (2023: 0%).

Notes to The Consolidated Financial Statements.

NOTE 19

Share Based Payments (Continued)

All tranches of Rights require continuous services of Mr. King as Chair, Ms. Schoerie, Mr. Sun, and Mr. Marr employed by the Company. As at 30 June 2024 and as at the date of this report none of the vesting conditions have been met.

Set out below are summaries of performance rights granted under the Incentive Plan as at 30 June 2024:

| Tranche | Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ other | Balance at the end of the year |
|--------------------------------|------------|-------------|----------------|----------------------------------|-------------------|-----------|--------------------|--------------------------------|
| A | 26/10/2022 | 31/12/2024 | \$0.000 | 3,750,000 | - | - | - | 3,750,000 |
| B | 26/10/2022 | 31/12/2024 | \$0.000 | 3,750,000 | - | - | - | 3,750,000 |
| C | 26/10/2022 | 31/12/2024 | \$0.000 | 6,250,000 | - | - | - | 6,250,000 |
| D | 26/10/2022 | 31/12/2024 | \$0.000 | 6,250,000 | - | - | - | 6,250,000 |
| E | 1/01/2024 | 1/07/2026 | \$0.000 | - | 5,000,000 | - | - | 5,000,000 |
| F | 1/01/2024 | 30/09/2026 | \$0.000 | - | 5,000,000 | - | - | 5,000,000 |
| BB | 26/10/2022 | 30/06/2025 | \$0.000 | 6,000,000 | - | - | (6,000,000) | - |
| | | | | 26,000,000 | 10,000,000 | - | (6,000,000) | 30,000,000 |
| Performance rights exercisable | | | | - | - | - | - | 3,750,000* |

*3,750,000 performance rights in **Tranche B** was exercisable as at 30 June 2024.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.04 years (30 June 2023: 1.61 years).

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Class | Grant Date | Expiry Date | Share Price at Grant Date | Share Price Hurdle for Vesting | Expected Volatility | Dividend Yield | Risk-Free Interest Rate | Fair Value at Grant Date |
|-------|------------|-------------|---------------------------|--------------------------------|---------------------|----------------|-------------------------|--------------------------|
| E | 1/01/2024 | 1/07/2026 | \$0.0225 | - | 75.26% | - | 3.60% | \$0.0206 |
| F | 1/01/2024 | 30/09/2026 | \$0.0225 | - | 74.28% | - | 3.60% | \$0.0204 |

Notes to The Consolidated Financial Statements.

NOTE 20

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-24 | 30-Jun-23 |
|---|------------------|-----------------|
| | \$ | \$ |
| Net profit/(loss) attributable to ordinary equity holders of the company | 1,915,564 | (81,759) |
| Weighted average number of ordinary shares for basic and diluted loss | 1,168,330,513 | 1,106,730,667 |
| Effects of dilution from: | | |
| Share options | 20,000,000 | 112,000,068 |
| Performance rights | 30,000,000 | 26,000,000 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 1,218,330,513 | 1,244,730,735 |

Loss per share from discontinued operations attributable to the members of ECS Botanics Holdings Limited

| | | |
|----------------------------------|---|----------|
| Basic (loss) per share (cents) | - | (0.0518) |
| Diluted (loss) per share (cents) | - | (0.0518) |

Earnings per share for the year from continuing operations attributable to the members of ECS Botanics Holdings Limited

| | | |
|------------------------------------|--------|--------|
| Basic earnings per share (cents) | 0.1640 | 0.0444 |
| Diluted earnings per share (cents) | 0.1572 | 0.0395 |

Earnings/(Loss) per share for the year attributable to the members of ECS Botanics Holdings Limited

| | | |
|---|--------|----------|
| Basic earnings/(loss) per share (cents) | 0.1640 | (0.0074) |
| Diluted earnings/(loss) per share (cents) | 0.1572 | (0.0074) |

NOTE 21

Segment Information

Identification of reportable operating segments

The information reported to the Board of Directors (being the Chief Operating Decision Makers ("CODM")), are the results as shown in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position. The Directors have determined that the Company predominantly operates in the sale of medicinal cannabis plant related products, following the Sale of the ECS Botanics Food and Wellness Business and the Sale of the Tasmanian Business and Assets in the year ended 30 June 2023. Please refer to the Note 3 for Discontinued operations.

Subsequent to the disposal of the discontinued operations, the "Botanics" segment has ceased its operation.

Notes to The Consolidated Financial Statements.

NOTE 22

Financial Risk Management Objectives and Policies

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

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

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

| | 30-Jun-24 | 30-Jun-23 |
|------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash and cash equivalents | 3,157,509 | 2,542,260 |
| Trade and other receivables | 1,786,844 | 2,545,694 |
| | 4,944,353 | 5,087,954 |
| Financial Liabilities | | |
| Trade and other payables | (2,968,106) | (2,273,618) |
| Hire Purchase Liability | (1,023,883) | (330,097) |
| | (3,991,989) | (2,603,715) |

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.

Notes to The Consolidated Financial Statements.

NOTE 22

Financial Risk Management Objectives and Policies (Continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Company does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

| | < 6 months | 6-12 months | 1-5 years | > 5 years | Total |
|--------------------------|------------------|----------------|----------------|---------------|------------------|
| 2024 | \$ | \$ | \$ | \$ | \$ |
| Trade and other payables | 2,968,106 | - | - | - | 2,968,106 |
| Hire purchase liability | 117,217 | 121,457 | 773,506 | 11,703 | 1,023,883 |
| | 3,085,323 | 121,457 | 773,506 | 11,703 | 3,991,989 |

| | < 6 months | 6-12 months | 1-5 years | > 5 years | Total |
|--------------------------|------------------|---------------|----------------|---------------|------------------|
| 2023 | \$ | \$ | \$ | \$ | \$ |
| 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 |

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").

Notes to The Consolidated Financial Statements.

NOTE 23

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 \$88,431. See Note 11 for further details.

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

NOTE 24

Related Party Disclosure

a) Key Management Personnel Compensation

| | 30-Jun-24 | 30-Jun-23 |
|----------------------|----------------|----------------|
| | \$ | \$ |
| Short-term benefits | 677,646 | 463,887 |
| Post-Employment | 72,602 | 45,035 |
| Long-term benefits | 7,558 | 14,015 |
| Share based payments | 196,209 | 66,266 |
| | 954,015 | 589,203 |

b) Related Party Transactions

| | 30-Jun-24 | 30-Jun-23 |
|---|----------------|----------------|
| | \$ | \$ |
| The following transactions occurred with related parties: | | |
| Mirador Corporate Pty Ltd⁽ⁱ⁾ | 72,450 | 102,264 |
| Pharmout⁽ⁱⁱ⁾ | 24,689 | 70,629 |
| Qiksolve Pty Ltd⁽ⁱⁱⁱ⁾ | 47,157 | 30,146 |
| Total | 144,296 | 203,039 |

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 (2023: \$nil) for services performed and had \$nil payable (2023: \$nil) to TAP Agrico as at 30 June 2024.

Notes to The Consolidated Financial Statements.

NOTE 25

Commitments

At the end of the reporting period, the Company has committed \$2.78 million (2023: \$nil) capital works on polytunnels and building constructions in progress.

| | Committed Capital Expenditure \$ | Actual Expenditure at 30- Jun-2024 \$ | Balance remaining for completion \$ |
|--------------------------|--|---|---|
| Polytunnels construction | 2,350,000 | 493,320 | 1,856,680 |
| Building construction | 428,000 | 71,735 | 356,265 |
| Total | 2,778,000 | 565,055 | 2,212,945 |

NOTE 26

Contingencies

The Company does not have any contingent liabilities as at 30 June 2024 (2023: \$nil).

NOTE 27

Auditor's Remuneration

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|---|------------------------|------------------------|
| Amounts received or due and receivable for: | | |
| Audit and review of the annual and half-year financial report | 69,750 ⁽ⁱ⁾ | 83,915 ⁽ⁱ⁾ |
| Other services | | |
| Income tax return | 13,500 ⁽ⁱⁱ⁾ | 12,500 ⁽ⁱⁱ⁾ |
| Tax consulting | 11,952 | 6,878 |

- (i) The audit and review of \$47,250 is for the reporting period ended 30 June 2024, with the professional service completed in FY2025. (2023: \$45,000 is for the reporting period ended 30 June 2023, with the professional service completed in FY2024.)
- (ii) The income tax return of \$13,500 is for the reporting period ended 30 June 2024, with the professional service completed in FY2025. (2023: \$12,500 with the professional service completed in FY2024.)

NOTE 28

Interests in Subsidiaries

| | | 30-Jun-24 % | 30-Jun-23 % |
|---------------------------|-------------|----------------|----------------|
| FLOWERDAY FARMS PTY. LTD. | Agriculture | 100 | 100 |
| ECS BOTANICS MC PTY LTD | Agriculture | 100 | 100 |

NOTE 29

Notes to The Consolidated Financial Statements.

Parent Entity

| | 30-Jun-24 \$ | 30-Jun-23 \$ |
|-----------------------------------|-------------------|-------------------|
| Assets | | |
| Current assets | 2,940,053 | 2,053,123 |
| Non-current assets | 25,408,909 | 20,221,094 |
| Total assets | 28,348,962 | 22,274,217 |
| Liabilities | | |
| Current liabilities | 136,436 | 72,023 |
| Total liabilities | 136,436 | 72,023 |
| Equity | | |
| Contributed equity | 36,532,054 | 32,786,341 |
| Reserves | 415,322 | 364,853 |
| Accumulated losses | (8,734,850) | (10,949,000) |
| Total equity | 28,212,526 | 22,202,194 |
| Profit/(Loss) for the year | 1,915,564 | (81,759) |
| Total comprehensive profit/(loss) | 1,915,564 | (81,759) |

- i) Guarantees entered by the parent entity
There are no guarantees entered into by the parent entity for the year ended 30 June 2024 (2023: \$nil).
- ii) Contingent liability of the parent entity
Refer to Note 26 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 2024 (2023: \$nil)

NOTE 30

Events After the Reporting Date

Subsequent to the year end:

- NAB increased the asset finance facility it has in place with the Company from \$1 million to \$4.4 million. This additional finance facility will allow ECS to continue to invest in technology and infrastructure to position the Company for further growth.

End of Notes

to The Consolidated Financial Statements

Consolidated Entity Disclosure Statement

As at 30 June 2024

| Entity name | Body corporate, partnership or trust | Place Incorporated /formed | % of share capital held directly or indirectly by the Company in the body corporate | Australian or Foreign tax resident | Jurisdiction for Foreign tax resident |
|---------------------------|--------------------------------------|----------------------------|---|------------------------------------|---------------------------------------|
| ECS Botanics Holdings Ltd | Body corporate | Australia | 100% | Australian | N/A |
| Flowerday Farms Pty Ltd | Body corporate | Australia | 100% | Australian | N/A |
| Murray Meds Pty Ltd | Body corporate | Australia | 100% | Australian | N/A |

Basis of preparation

This Consolidated entity disclosure statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the Group as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Determination of tax residency

Section 295 (3A)(vi) of the Corporation Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

Australian tax residency

The Group has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

Where necessary, the Group has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see section 295(3A)(vii) of the Corporations Act 2001).

Partnerships and Trusts

None of the entities noted above were trustees of trusts within the Group, partners in a partnership within the Group or participants in a joint venture within the Group

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 29 to 62 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. giving a true and fair view of the Company's financial position as at 30 June 2024 and of its performance for the half-year ended on that date.
2. The consolidated entity disclosure statement is true and correct.
3. 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

12 September 2024



Independent auditor's report to the members of ECS Botanics Holdings Ltd

Report on the audit of the financial report



Our opinion on the financial report

In our opinion, the accompanying financial report of ECS Botanics Holdings Ltd (the Company) and its subsidiaries (the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

- the consolidated statement of financial position as at 30 June 2024,
- the consolidated statement of comprehensive income/statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

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 & 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.

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.

| 1. Impairment assessment on intangible asset | Area of focus (refer also to notes 1 & 13) | How our audit addressed the key audit matter |
|--|---|---|
| | <p>Included on the statement of financial position are intangible asset balances of:</p> <ul style="list-style-type: none"> — \$2,211,971 for licenses; and — \$1,050,000 for goodwill on acquisition of Murray Meds Pty Ltd and Flowerday Farms Pty Ltd. <p>No impairment expense has been recognised during the financial year.</p> <p>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.</p> <p>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 2024.</p> <p>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:</p> <ul style="list-style-type: none"> — The discount rate; — Growth rates; — Assumptions relating to the deployment of working capital; and — Gross margin expectations. <p>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.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> — 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. |

2. Valuation of inventory

Area of focus (refer also to notes 1, 2 & 10)

As at 30 June 2024, the Group held inventory of \$12,982,872 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.

How our audit addressed the key audit matter

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 also assessed the adequacy of disclosures in relation to inventory in the financial report.

3. Revenue recognition

Area of focus (refer also to notes 1, 2 & 4)

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.

How our audit addressed the key audit matter

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;

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.

- 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report



Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of ECS Botanics Holdings Ltd, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in pages 17 to 25 of the directors' report for the year ended 30 June 2024.

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 Audit (VIC) Pty Ltd

ABN 59 116 151 136

J. C. Luckins

Director

Melbourne, 13 September 2024

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 30 June 2024.

Twenty Largest Shareholders

| Position | Holder Name | Holding | % IC |
|--------------|--|--------------------|---------------|
| 1 | HARBOUR CAPITAL ASSET MANAGEMENT PTY LTD | 71,000,000 | 5.51% |
| 2 | "FLOWERDAY HOLDINGS PTY LTD | 70,666,667 | 5.48% |
| 3 | <FLOWERDAY FARM HOLD DISC A/C>" | 50,253,739 | 3.90% |
| 4 | KEACH SECURITIES AND INVESTMENTS PTY LTD | 42,000,000 | 3.26% |
| 5 | "SCHOERIE FIDES PTY LTD | 35,500,000 | 2.76% |
| 6 | <SCHOERIE SMSF A/C>" | 25,125,095 | 1.95% |
| 7 | "SUPER SECRET PTY LIMITED | 22,727,300 | 1.76% |
| 8 | <TKOCZ SF A/C>" | 18,717,775 | 1.45% |
| 9 | MR. BENJAMIN JOHN HARINGTON | 15,621,296 | 1.21% |
| 10 | "WINDPAC PTY LTD | 14,166,666 | 1.10% |
| 11 | <THE SLACK FAMILY A/C>" | 13,425,643 | 1.04% |
| 12 | 10 BOLIVIANOS PTY LTD | 12,000,000 | 0.93% |
| 13 | "TAOS PTY LTD | 11,363,700 | 0.88% |
| 14 | <GEILINGS & CO PTY SUPER A/C>" | 10,000,000 | 0.78% |
| 15 | "ARCUS CALLISTO PTY LTD | 9,100,000 | 0.71% |
| 16 | <BC HARINGTON SUPER FUND A/C>" | 8,573,323 | 0.67% |
| 17 | DA & DJ BURT PTY LTD | 8,073,333 | 0.63% |
| 18 | C Y T INVESTMENT PTY LTD | 8,035,909 | 0.62% |
| 19 | MR. ALEXANDER BEARD | 8,000,000 | 0.62% |
| 20 | "FORDHOLM CONSULTANTS PTY LTD | 7,600,000 | 0.59% |
| Total | | 461,950,446 | 35.85% |

Twenty Largest Quoted Option Holders

| Position | Holder Name | Holding | % IC |
|--------------|--------------------------|-------------------|-------------|
| 1 | BELL POTTER NOMINEES LTD | 20,000,000 | 100% |
| Total | | 20,000,000 | 100% |

ASX Additional Information.

Distribution of Equity Securities

(i) Ordinary share capital

1,288,549,567 fully paid shares held by 4,346 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 | 690 | 151,648 | 0.01% |
| 1,001 - 5,000 | 188 | 450,773 | 0.04% |
| 5,001 - 10,000 | 295 | 2,521,497 | 0.20% |
| 10,001 - 100,000 | 2,091 | 82,065,644 | 6.37% |
| 100,001 Over | 1,082 | 1,203,360,005 | 93.39% |
| Total | 4,346 | 1,288,549,567 | 100.00% |

(ii) Quoted Options

20,000,000 quoted options held by 1 individual holders with an exercise price of \$0.033 and an expiry date of 28 February 2026

| Range | Total holders | Units | % Units |
|--------------|---------------|-------------------|-------------|
| 100,001 Over | 1 | 20,000,000 | 100% |
| Total | 1 | 20,000,000 | 100% |

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 |
|--|-----------------|---------------------|
| HARBOUR CAPITAL ASSET MANAGEMENT PTY LTD | 71,000,000 | 5.51% |
| FLOWERDAY HOLDINGS PTY LTD | 70,666,667 | 5.48% |

Restricted Securities

There are no restricted securities in ECS.

Unmarketable Parcels

There were 2,145 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.

ASX Additional Information.

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.

