

Axxis Technology Group Ltd (ACN 009 805 298) (to be renamed ECS Botanics Holdings Ltd)

Prospectus

For a Public Offer of between 112,500,000 and 162,500,000 Shares at an issue price of \$0.04 per Share to raise a minimum of \$4,500,000, up to a maximum of \$6,500,000.

This Prospectus also contains the Vendor Offer (under which no funds will be raised) of 287,500,000 Shares and 131,250,000 Performance Rights.

> The Joint Lead Managers to the Public Offer are Xcel Capital Pty Ltd and Sanlam Private Wealth Pty Ltd.





The Offers are conditional upon the Conditions of the Offers outlined in Section 3.6 being satisfied. In the event that the Conditions of the Offers are not satisfied, the Company will not proceed with the Offers, and the Company will repay all Application Monies received.

This is a recompliance prospectus for the purposes of satisfying Chapters 1 and 2 of the Listing Rules and to satisfy ASX requirements for re-admission to the Official List following a change to the nature and scale of the Company's activities.

> This is an important document that should be read in its entirety. Please consult your professional adviser(s) if you have any questions. The Securities offered by this Prospectus should be considered highly speculative.

Corporate Directory

Current Directors

Jeremy King (Non-Executive Director) Michael Nitsche (Non-Executive Director) Justyn Stedwell (Non-Executive Director)

Proposed Directors following Recompliance

Alex Keach (Managing Director)
David McCredie (Non-Executive Chair)
Jeremy King (Non-Executive Director)
Michael Nitsche (Non-Executive Director)

Company Secretary

Mauro Piccini

Registered Office

Suite 2, Level 1, 1 Altona Street West Perth WA 6005

Principal Place of Business following Recompliance

Suite 2, Level 15, 3 Spring Street Sydney 2000 Website: www.ecsbotanics.com.au

Securities Exchange Listing

ASX Limited

Current ASX Code: AYG

Proposed New ASX Code: ECS

Joint Lead Managers

Xcel Capital Pty Ltd Level 29, 221 St Georges Terrace Perth WA 6000

Sanlam Private Wealth Pty Ltd Level 7, 100 Collins Street Melbourne VIC 3000

Solicitors

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

Legal Report

Colin Biggers & Paisley Lawyers Level 35, Waterfront Place 1 Eagle Street Brisbane Qld 4000

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd 38 Station Street Subiaco WA 6008

Share Registry*

Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace Perth WA 6000 Investor enquiries Telephone: 1300 850 505

Auditors*

BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008

^{*} These parties are included for information purposes only. They have not been involved in the preparation of this Prospectus.

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Important Information

CHANGE IN NATURE AND SCALE OF ACTIVITIES AND RECOMPLIANCE WITH CHAPTERS 1 & 2 OF THE LISTING RULES

This Prospectus is issued by Axxis Technology Group Ltd (ACN 009 805 298) (Company, or AYG).

As announced on 15 February 2019 and as further set out in the Company's Notice of Meeting for its general meeting to be held on 28 May 2019 (**General Meeting**), the Company has entered into a binding term sheet (**Term Sheet**) for the acquisition of 100% of the issued capital of agribusiness and hemp food company ECS Botanics Pty Ltd (**ECS**) (**Acquisition**). To effect the Acquisition, AYG will be required to comply with Chapters 1 and 2 of the Listing Rules (**Recompliance**).

Please refer to Section 4 for details of ECS and its business, Section 7 for further details of the key terms and conditions on which the Acquisition is to be completed and Section 5 for details of the risks associated with an investment in the Company.

The Company's proposed Acquisition of ECS will involve a significant change in the nature and scale of the Company's activities which requires approval of Shareholders under Chapter 11 of the Listing Rules. At the General Meeting, Shareholders approval is being sought for, amongst other things, the Acquisition of ECS and the Recompliance.

To complete the Recompliance, the Company must comply with ASX requirements to re-list on ASX, which include re-complying with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to meet these requirements. The Offers under this Prospectus are conditional on the satisfaction of certain conditions (**Conditions of the Offers**). Refer to Section 3.6 for further details.

The Company's Shares have been suspended from trading on ASX since 22 September 2016 and will not be reinstated until satisfaction of the Conditions of the Offers and ASX approving the Company's recompliance with the admission requirements of Chapters 1 and 2 of the Listing Rules. There is a risk that the Company may not be able to meet the requirements of ASX for re-quotation on ASX. In the event the Conditions to the Offers are not satisfied or the Company does not receive conditional approval for re-quotation on ASX, then the Company will not proceed with the Offers and will repay all Application Monies received. Refer also to Section 5 for details of the risks associated with an investment in the Company.

GENERAL

This Prospectus is dated 10 May 2019 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus. No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any Application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications for Securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

A copy of this Prospectus can be downloaded from the website of the Company at www.ecsbotanics.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom it would not be lawful to make such an offer or invitation. The distribution of this Prospectus (in electronic or hard copy form) in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register to qualify the Shares, or the Offers, or otherwise permit a public offering of Shares, in any jurisdiction outside Australia. Refer to Section 3.15 for further information.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus or any of those documents were incomplete or altered.

This Prospectus contains forward-looking statements which are identified by words such as 'could', 'believes', 'may', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, ECS, and the Company's and ECS' Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law. These forward looking statements are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5 of this Prospectus.

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company or ECS. Diagrams used in this prospectus are illustrative only and may not be drawn to scale.

The Securities offered under this Prospectus are considered speculative. There is no guarantee that the Securities offered will make a return on the capital invested, that dividends will be paid on the Securities, or that there will be an increase in the value of the Securities in the future. Prospective investors should carefully consider whether the Securities offered under this Prospectus are an appropriate investment for them in light of their personal circumstances, including but not limited to their financial and taxation position. Refer to Section 5 for details of the risks associated with an investment in the Company.

Unless the context otherwise permits, defined terms and abbreviations used in this Prospectus have the meanings set out in the glossary in Section 10.

1. Investment Overview

The information in this Investment Overview is a selective overview only. Prospective investors should read the Prospectus in full, including the full risk factors set out in Section 5 and the Investigating Accountant's Report in Annexure A of this Prospectus, before deciding to invest in the Securities.

1.1 Key Information

Topic	Summary	
	In response to hemp foods being legalised for human consumption in Australia in November 2017, ECS Botanics Pty Ltd (ACN 624 153 331) (ECS or ECS Botanics) was incorporated on 1 February 2018.	
Who is ECS Botanics Pty Ltd and what does ECS	ECS aims to take advantage of the growth of Australia's hemp industry by launching a range of retail and wholesale hemp food products. Furthermore, ECS will seek to benefit from escalating consumer demand for vegan and plant based proteins, omega 3 & 6 and more alkaline foods.	Section 4.3
Botanics Pty Ltd do?	ECS has also applied for medicinal cannabis licences with the Office of Drug Control, which, if granted, will form a non-core complementary facet to ECS' business. As at the date of this Notice, the grant date for the licence applications is unknown.	Annexure B Legal Report
	A summary of the key elements of ECS, its business, and the industry in which it operates is set out in Section 4, and details of the legal status of ECS' business is set out in the Legal Report in Annexure B.	
	Axxis Technology Group Ltd (AYG or the Company) was incorporated in Queensland on 20 February 1970 and first listed on ASX on 13 March 1986. AYG has no current assets and was suspended from the Official List on 22 September 2016.	
	Throughout 2015-2017 AYG investigated various opportunities in order to seek out a suitable business to acquire that would add further value for AYG shareholders. For various reasons, after careful due diligence and review, those potential acquisition opportunities were not successful.	
Who is Axxis Technology Group Ltd?	As announced on 15 February 2019, AYG has entered into the binding Term Sheet to acquire 100% of the issued capital in ECS, subject to the terms and conditions of the Term Sheet, and otherwise as set out in this Prospectus (Acquisition). To effect the Acquisition, AYG will be required to recomply with Chapters 1 and 2 of the Listing Rules (Recompliance).	Section 4.2
	Accordingly, AYG now seeks to be re-admitted to the Official List on the basis of ECS' industrial hemp business.	
	A summary of the key material terms and conditions of the Term Sheet is set out in Section 7.1.	
	This Prospectus contains a Public Offer and a Vendor Offer:	Section 3.1.1
What is being offered and why?	Public Offer: The Company will seek to raise a minimum of \$4,500,000 (before expenses of the offer), up to a maximum of \$6,500,000, to fund the activities of the Company (after the Acquisition of ECS) via a public offer of up to 162,500,000 Shares at an issue price of \$0.04 per Share.	
	The purpose of the Public Offer is to:	
	 fund the commercialisation of ECS' industrial hemp food product business; 	

Topic	Summary	More Information
	 provide additional working capital to support the growth of ECS' industrial hemp food product business; provide for general administration and working capital needs; and complete the Acquisition and Recompliance, in order to achieve ASX re-listing and provide a liquid market for the Company's Shares. Vendor Offer: The terms and conditions of the Acquisition under the Term Sheet provide that the Company will issue 287,500,000 Shares (Consideration Shares) and 131,250,000 performance rights (Performance Rights) to the vendors of ECS (Vendors) as consideration for the Company's acquisition of 100% of the issued share capital of ECS. This Prospectus also contains the Vendor Offer (under which no funds will be raised), which involves the offer of the Consideration Shares and Performance Rights to the Vendors. 	Section 3.1.2
ECS' business operates in the following industry sectors: • main sector – Australian industrial hemp food products sector (bulk wholesale products and retail ready-to-consume food products); and • non-core sector (subject to license grant and commencing operations) – Australian medicinal cannabis sector. Currently, ECS has hemp operations in Tasmania and Queensland, and head office administration operations in New South Wales.		Sections 4.1 and 4.3
What are ECS' current and proposed business activities?	and proposed business	
What is the regulatory status of ECS' business and does ECS have the necessary permits and licences to conduct its business?	The regulatory status of ECS' business is set out in the Legal Report in Annexure B. ECS holds the necessary licences to enable it to conduct its core business, being: • a licence for the cultivation, supply and manufacture of industrial hemp in Tasmania for non-therapeutic commercial purposes; • a licence for the cultivation, supply and manufacture of industrial hemp in Tasmania for non-therapeutic research purposes; • a grower licence to engage in the production of industrial hemp in Queensland for commercial purposes; and • licences to import and export hemp seeds to/from Australia. Further, as a non-core facet of ECS' business, ECS has also applied for medicinal cannabis licences from the Office of Drug	Section 4.4.1 Annexure B Legal Report

Topic	Opic Summary	
	Control which will, if granted, allow ECS to cultivate medicinal cannabis and manufacture medicinal cannabis products. In respect of ECS' licences which are in application phase, as at the date of this Prospectus, the length of time for approval of these licences is currently unknown.	
What is the Company's financial position and how does ECS intend to generate revenue?	The financial position of AYG and ECS is set out in the Investigating Accountant's Report in Annexure A. ECS is not currently generating any revenue. However, ECS intends to generate revenue from the following two core revenue streams: • sale of wholesale hemp products (bulk ingredients – i.e bulk hemp hearts (dehulled hemp) and bulk hemp oil, hemp protein powder and hemp flour); and • sale of retail hemp food products (ready to consume products – i.e oil by the bottle, hemp heart packets, hemp oil capsules, curry sauces, soups, protein shakes, super food boosters, (all with hemp)). ECS may also consider pursuing additional non-core revenue pathways, such as supply of seed to third party farmers for planting. The Company is expected to generate revenue and profits as a result of ECS' business, however, it does not expect to pay dividends in the near future. As at the date of this Prospectus, there has yet to be material sales and revenue generated by ECS' business. As at the date of this Prospectus, ECS has conducted a successful first harvest, and intends that rollout of its hemp food products will occur in the coming months as processing and manufacturing is completed and the marketing, development, and sales initiatives are undertaken. ECS anticipates that first sales of its products may occur towards the end of the second to third quarter of 2019.	Sections 1.10, 4.3.3 and Annexure A Investigating Accountant's Report
Who are the Board and Management of the Company?	the end of the second to third quarter of 2019. Subject to Completion of the Acquisition, the Company will undergo a change in board and management: • the Board of the Company will be comprised of: • Alex Keach as Managing Director (to be appointed at Completion subject to Shareholder approval at the General Meeting); • David McCredie as Non-Executive Chair (to be appointed at Completion subject to Shareholder approval at the General Meeting); • current Directors Jeremy King and Michael Nitsche will remain as Non-Executive Directors, and	

Торіс	Summary	More Information
What are the key strengths of ECS' Business?	Refer to Section 1.2 below.	Section 1.2
What are the key risks of ECS' Business?		
Are there any arrangements with related parties or promoters?	Refer to Sections 1.5 and 1.15 below for details of arrangements with the Joint Lead Managers and related parties.	Sections 1.5 and 1.15
How do I apply for Securities?	Applications for Shares under the Public Offer can be made by completing the Public Offer Application Form in accordance with the instructions. Applications for Securities under the Vendor Offer can be made by completing the Vendor Offer Application Form in accordance with	Application Forms
	the instructions. Please note that the Vendor Offer Application Form will only be distributed to parties who are Shareholders of ECS (Vendors).	
Who can I contact for more information?	All enquiries in relation to this Prospectus should be directed to reception@ecsbotanics.com.au or via Computershare on 1300 850 505.	

1.2 Key Strengths

A summary of the Company's key strengths (following Completion of the Acquisition) is set out below. Refer to Section 4.5 for further information.

Key Strength	Summary
Hemp Focussed	Unlike many companies in the cannabis space ECS Botanics has an industrial hemp focus, rather than medicinal cannabis focus. ECS views this as a distinct value driver due to lower level of regulatory scrutiny, lower levels of capital required to build revenues, and shorter lead time to bring products to market.
Capability for Growth	ECS has obtained both research and commercial licences to cultivate, supply and manufacture hemp in Tasmania. ECS also has a licence to engage in the commercial production of industrial hemp in Queensland. ECS and its team has a high degree of industry knowledge of the industrial hemp farming and the supply chain in which it operates. This capability continues to grow as the ECS team expands, the industry grows and the demand for wholesale and retail hemp food products grows.
New Product Development	ECS monitors the landscape of hemp food products, trends and customer preferences. ECS intends to continue to work with reputable product developers such as Flavour Makers to develop new and innovative food products to add to its range.

1.3 Key Risks

An investment in Securities under this Prospectus should be considered highly speculative. The business, assets and operations of the Company (currently and post-Completion of the Acquisition) are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company.

The Board will aim to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below is a summary of the specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 5.

Key Risk	Description
	The Company's Shares have been suspended since 22 September 2016 and will remain suspended until all necessary shareholder and regulatory approvals are obtained, completion of the proposed Acquisition occurs and until the Company satisfies any re-admission conditions imposed by ASX (which include the Conditions of the Offers).
Recompliance, removal of suspension and additional	There is a risk that if the Acquisition and Recompliance are not completed by 22 September 2019, AYG will be removed from the Official List (unless AYG can avail itself of an extension from ASX).
requirements for capital	The Company's securities will continue to remain in suspension on and from the date of the General Meeting until such time that the Conditions of the Offers are satisfied, ASX grants the Company conditional listing approval, and the Company is able to satisfy ASX's listing conditions. Should the Acquisition not complete, the Company will remain in suspension until such time (if at all) that an appropriate asset is identified and acquired by the Company. There is a risk that the Company may not be able to acquire an appropriate asset and consequently be unable to requote its securities on ASX.
	See Section 5.2.1 for more detail.
Significant dilution risk	The Company currently has 47,591,067 Shares on issue. Following the Completion of the Acquisition and Recompliance (including the Offers under this Prospectus), the Company's ordinary Shares will increase from 47,591,067 to up to 507,591,067 based on the Maximum Subscription (refer to the capital structure set out in Section 1.7 for further details). Accordingly, based on these numbers, existing Shareholders are expected to be diluted by approximately 90.62% on completion of the Acquisition and Recompliance and will represent a significantly lower proportion of the ownership of the Company upon reinstatement.
Organicant dilution risk	It is not possible to predict what the value of the Company, ECS, or a Share will be following completion of the Acquisition and Recompliance, and the Directors do not make any representation as to such matters. The last trading price of Shares on ASX prior to AYG's suspension on 21 September 2016 of \$0.10 is not a reliable indicator as to the potential trading price of Shares after completion of the Rights Issue Offer, Acquisition and Recompliance.
	See Section 5.2.2 below for more detail.
Business strategy risk and limited history	ECS Botanics is at an early stage of development. Investment in the business is considered highly speculative and subject to various risks that may delay the Company in becoming a profitable business. Consequently, ECS may not be able to generate return for its shareholders.
	See Section 5.3.1 below for more detail.
Establishment and	ECS Botanics' business operates in Australia under the Australia New Zealand Food Standards Code (ANZFS Code). Changes to the ANZFS Code came into effect from 12 November 2017 and approved the sale of low-THC hemp foods.
implementation of new legislative regime for hemp foods in Australia	Whilst this can be seen as an opportunity for the business to grow, as with any legislative and regulatory change, there is a natural period of uncertainty whilst regulators, market participants and consumers interpret and respond to the change.
	See Section 5.3.2 below and the Legal Report in Annexure B for more detail.
Obtaining and maintaining licences and permits	ECS' business is reliant on the necessary government licences and permits to cultivate, process and manufacture hemp seed and sell hemp food products in the Australian wholesale and retail sectors.
,	Any change in the government's regulation or policy with respect to these policies may impact ECS' ability to maintain its licences and permits and therefore, negatively impact

Key Risk	Description
	ECS and its performance.
	Potential investors should note that the Company has applied for a medicinal cannabis licence (cultivation and manufacturing) and is currently waiting for approval. The length of time for approval is currently unknown and there is no guarantee that the licence will be granted.
	See Section 5.3.3 and the Legal Report in Annexure B for more detail.
Product liability risk	There is a risk that the products sold by ECS may have defects (actual or perceived), or allegations of defective products, which could result in product recalls and would have a negative impact on ECS' operations and revenue. However, ECS will seek to mitigate this risk by implementing a product recall strategy.
	See Section 5.3.4 for further information.
	ECS Botanics is exposed to agricultural risks, including insects, plant disease, weather conditions, irrigation issues and pests.
Agricultural risks	Although some agricultural risk can be minimised by good management and planning, ECS' harvests and that of its suppliers, may be affected by agricultural risks.
	See Section 5.3.6 for more information.
Manufacturing and	The ability for ECS Botanics to cultivate and produce products is dependent on a number of key inputs and their related costs. These key inputs include raw materials, electricity, water, other utilities and skilled labour. Any significant interruption or negative change in the availability or cost of these inputs could materially impact the production of the business and subsequently, the operating results of ECS.
production risk	In particular, given the nature of the raw materials used by ECS, supply may be limited to a single or limited number of suppliers, with access to these raw materials more competitive than conventional ingredients. As a result, there is an enhanced risk of difficulties in securing the required supplies, or to do so on appropriate terms.
	See Section 5.3.7 for further information.
Loss of key customers and distributors	ECS is reliant on third party contracts throughout its business operations. To the extent that ECS cannot retain one or more of these contracts, it will affect ECS' revenue, profit and growth.
	See 5.3.8 for further information.
	ECS Botanics' operational success is heavily reliant on its continued relationships with its key suppliers. Currently, suppliers provide hemp seed, processing and manufacturing services which are essential to ECS' production of its products.
Supplier arrangements	The loss of products or services from a key supplier may have an adverse effect on the Company's operations. There may be opportunities to replace key suppliers with alternative providers but this may involve a loss in production time and increase in costs.
	See Section 7 for more information about ECS' material contracts.
	See Section 5.3.9 for further information.
Competition risk	ECS' competitive position may be adversely impacted by increased competition by loss of market share, sales or profits which will have an adverse impact on ECS' financial performance. This risk is exacerbated due to the relatively small size of the hemp industry.
	See Section 5.3.10 for more information.
	ECS has a number of contracts with suppliers, distributors and customers which are not the subject of specific contracts but rather, governed by standard terms and conditions.
Uncontracted arrangements risk	There is a risk that these arrangements may not be able to be maintained or maintained on terms favourable to ECS in the future.
	See Section 5.3.11 for more information.
Reputation, trade marks and protection of intellectual	ECS cannot guarantee that there will not be any unauthorised use or misuse of its brands, given that the Company currently has applications pending to trade mark its

Key Risk	Description
property	name and logo in Australia and its name in China and South Korea. Any infringement may be detrimental to ECS' reputation and may lead to costly and time-consuming litigation or adversely affect ECS' financial performance.
	If ECS does not protect its intellectual property or infringes a third party's intellectual property, the Company may have to stop using certain aspects of intellectual property or be liable for damages to third parties. ECS' operations, financial performance and future prospects will therefore be negatively affected.
	See Section 5.3.12 for further information.
Key personnel and management risk	ECS' operational success will depend substantially on the continuing efforts of senior executives. The loss of services of one or more senior executives may have an adverse effect on the Company's operations. Furthermore, if the Company is unable to attract, train and retain key individuals and other highly skilled employees and consultants, its business may be adversely affected.
	See Section 5.3.13 for further information.
Technological and innovation risk	ECS Botanics will need to stay well informed with respect to technologies and products in relation to cultivation, manufacturing and supply of hemp food products. ECS' failure to employ the latest technologies to its processes and procedures may result in a downturn in its competitiveness and ultimately financial performance.
	See Section 5.3.14 for further information.
Risk of adverse regulatory changes	The operations and proposed operations of the Company are subject to a variety of laws, including, product content requirements, labelling and packaging, environmental, food standards and tax laws. The introduction of new legislation or amendments to existing legislation, could adversely impact ECS' operations and financial performance.
	See Section 5.3.15 and the Legal Report in Annexure B for further information.
Requirement for additional funding and cost overruns	The funds to be raised under the Offer are considered sufficient to meet the current objectives of the Company. Despite management's effort to accurately predict future costs, costs may exceed the expected levels and if this occurs, additional funding may be required.
	See Section 5.3.16 for more information.
Insurance	ECS will endeavour to maintain insurance to mitigate the risks that the Company will face. However, ECS cannot insure against all risks, or guarantee that the level of insurance cover it obtains will be adequate, either because appropriate or necessary cover is not available or because Directors consider the required premiums to be excessive in relation to the benefits that would accrue.
	If ECS incurs losses or liabilities for which it is uninsured, this may have a negative impact on the Company's financial performance and prospects.
	See Section 5.3.17 for more information.
Counterparty and credit risk	The business operations of ECS require the involvement of a number of third parties, including suppliers and contractors. Not being able to reach a binding agreement with a third party, financial failure, default, or contractual non-performance on the part of such third parties, including failure by the third parties to pay amounts due to ECS pursuant to its agreements, may have a material impact on the operations and performance of the Company.
	See Section 5.3.18 for more information.
Commodity price risk	ECS both produces, uses and supplies hemp. ECS' performance may be affected by Australian and overseas commodity prices for hemp. Commodity price risk can have an effect on producers and users of a commodity. There are various factors that can affect commodity prices include political and regulatory changes, seasonal variations, weather, technology and market conditions. Accordingly, there is a risk that adverse movements in commodity prices (specifically hemp) may have an adverse impact on the financial results of ECS.
	See Section 5.3.19 for more information.

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company. Investors should refer to the additional risk factors in Section 5 before deciding whether or not to apply for Securities under this Prospectus.

1.4 Indicative Timetable for the Offers

Event	Indicative Date	
Announcement of Acquisition	Friday 15 February 2019	
Lodgement of Prospectus with ASIC and ASX	Friday 10 May 2019	
General Meeting to approve the Acquisition and Recompliance	Tuesday 28 May 2019	
Opening Date	Tuesday 28 May 2019	
Closing Date	Friday 21 June 2019	
Settlement of Acquisition under the Term Sheet	Friday 28 June 2019	
Despatch of holding statements	Tuesday 2 July 2019	
Anticipated date of readmission/Recompliance completed (suspension of trading of shares is lifted)	Friday 12 July 2019	

Notes

- Subject to the Exposure Period. Any extension of the Exposure Period may impact on the Opening Date.
- 2. Prospective investors are encouraged to submit their Applications as early as possible. The Directors reserve the right to close the Offers earlier or later than as indicated above without prior notice to prospective investors.
- 3. Anticipated dates only. The above dates are indicative only and may change without notice. The Directors reserve the right to amend the timetable. The date the Securities are expected to be issued and/or commence trading on ASX may vary with any change to the Closing Date.

1.5 Joint Lead Manager Arrangements

The Company has entered into a mandate (**Joint Lead Manager Mandate**) with Xcel Capital Pty Ltd (**Xcel Capital**) and Sanlam Private Wealth Pty Ltd (**Sanlam Private Wealth**) to act as joint lead managers to the Public Offer (**Joint Lead Managers**).

Pursuant to the Joint Lead Manager Mandate, subject to and conditional upon completion of the Acquisition and Recompliance, the Company will pay the Joint Lead Managers the following fees in respect of the Public Offer (to be shared equally between the Joint Lead Managers):

- (a) a capital raising fee of 6% (plus GST, if applicable) on funds raised by the Joint Lead Managers in respect of the Public Offer; and
- (b) a success fee of \$60,000 (plus GST, if applicable) post-Recompliance; and
- (c) a market awareness retainer of \$10,000 per month (plus GST) for ongoing corporate advisory services commencing on the date of listing to be shared equally between the Joint Lead Managers for a minimum of 12 months (being a total corporate advisory fee of \$120,000 over the 12 month period, which is a monthly fee of \$5,000 (plus GST) paid to each Joint Lead Manager).

For further details of the Joint Lead Manager Mandate, refer to Section 7.9.

In addition to the fees listed above, and subject to Shareholder approval at the Company's General Meeting:

- (a) Xcel Capital and Sanlam Private Wealth will also be paid a facilitation fee for their services in facilitating the Acquisition, to be split equally between Sanlam Private Wealth and Xcel Capital. The facilitation fee will be paid in shares, via the issue of 10 million AYG Shares at a deemed issue price of \$0.04 per share (Facilitation Shares). It is expected that the Facilitation Shares will be subject to a 24 month escrow period imposed by ASX in accordance with ASX Listing Rules; and
- (b) Xcel Capital and Sanlam Private Wealth are also minority Vendors of ECS and accordingly, will receive Consideration Shares and Performance Rights on an armslength pro-rata basis on the same terms as all other Vendors. As set out in the Company's Notice of Meeting, Xcel Capital will receive 1,915,248 Consideration Shares and 874,352 Performance Rights, and Sanlam Private Wealth will receive 2,128,053 Consideration Shares and 971,503 Performance Rights.

1.6 Objectives of the Offers and Use of Funds

The Company intends to conduct the Public Offer through the issue of this Prospectus as part of its Recompliance with Chapters 1 and 2 of the Listing Rules. The purpose of the Public Offer is to:

- (a) fund the commercialisation of ECS' industrial hemp food product business;
- (b) provide additional working capital to support the growth of ECS' industrial hemp business;
- (c) provide for general administration and working capital needs; and
- (d) complete the Acquisition and Recompliance, in order to achieve ASX re-listing and provide a liquid market for the Company's Shares.

The Company also intends to make the Vendor Offer through this Prospectus, to effect the issue of the Consideration Shares and Performance Rights to the Vendors pursuant to the terms and conditions of the Term Sheet for the Acquisition, and otherwise to comply with the disclosure provisions of the Corporations Act. There will be no funds raised from the Vendor Offer.

It is intended that the funds raised from the Public Offer will be applied on the following indicative basis:

Use of Funds	Minimum Subscription (\$) (\$4.5m)	Maximum Subscription (\$) (\$6.5m)
Expenses of the Offers ¹	260,481	262,633
Capital raising and Joint Lead Manager fees ²	450,000	570,000
Purchase hemp from farmers ³	750,000	1,050,000
Processing and manufacturing ⁴	725,000	925,000
Business development and marketing	300,000	250,000
Farming costs, leasing and commercial farming trials	210,000	210,000
Seeds – general planting stock	110,000	120,000
Infrastructure and storage investment (including purchase of leased property in the event of Maximum Subscription) 5	300,000	1,500,000
Medicinal cannabis (feasibility study & consulting) ⁶	100,000	100,000
Administration Costs ⁷	1,190,000	1,450,000
Working capital	104,519	62,367
Total	4,500,000	6,500,000

Notes

- 1. Refer to Section 8.6 for further details of the Expenses of the Offer.
- 2. Refer to Section 7.9 for details of the fees payable to the Joint Lead Managers, and the material terms of the Joint Lead Manager Mandate.
- 3. Includes estimated payments to third party farms for ECS' next crop, anticipated to be planted in the final quarter of 2019, and harvested in the first quarter of 2020.
- 4. Processing and manufacturing costs for next crop (anticipated to be harvested first quarter of 2020).
- 5. Refer to Section 7.10.2 for the terms and conditions of ECS' Tasmanian Farm Lease and Call Option to purchase.
- 6. Costs related to a feasibility study and consulting fees in the event ECS' medicinal cannabis licences are granted. If the licence applications are granted, ECS intends to undertake a feasibility study to assess if the licences will form a non-core complementary facet to ECS' industrial hemp business.
- 7. Administration costs include ongoing costs such as executive and non-executive director salaries, staff salaries, accounting and audit costs, share registry fees, company secretarial and public company compliance costs, insurances and general administrative costs.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (such as the Risk Factors noted in Section 5) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors believe that the Company will have sufficient working capital to meet its immediate business obligations, as set out in the above table, and to meet its objectives upon completion of the Offers.

Refer to Section 1.10 below, together with the Investigating Accountant's Report in Annexure A for further details of the Company's financial information.

1.7 Pro-forma capital structure

The capital structure of the Company following completion of the Offers, Acquisition Recompliance and other matters will be as follows:

Shares	Minimum Subscription	Maximum Subscription
Shares currently on issue	47,591,067	47,591,067
Public Offer Shares to be issued under the Public Offer	112,500,000	162,500,000
Consideration Shares to be issued under the Vendor Offer	287,500,000	287,500,000
Facilitation Shares to be issued to Joint Lead Managers	10,000,000	10,000,000
Total Shares on Completion of the Acquisition and Offers	457,591,067	507,591,067
Options		
Options currently on issue	Nil	Nil
Director Options - Proposed Directors	1,875,000	1,875,000
Director Options - Existing Directors	18,500,000	18,500,000
Total Options on Completion of the Acquisition and Offers	20,375,000	20,375,000
Performance Rights		
Performance Rights currently on issue	Nil	Nil
Performance Rights to be issued to Vendors under the Vendor Offer	131,250,000	131,250,000
Total Performance Rights on Completion of the Acquisition and Offers	131,250,000	131,250,000

Notes

- 1. The Director Options are unlisted options exercisable at \$0.08 on or before the date which is 30 months from their date of issue. The Director Options will be issued at Completion on the terms set out in Section 8.10.
- 2. Assumes none of the Performance Rights Milestones have been achieved.
- 3. In addition to the above, following the Public Offer, the Company may also consider conducting a bonus issue, loyalty issue or other similar issue (the terms of which are yet to be finalised), and may also consider adopting an employee share option plan or other incentive scheme (the terms of which are yet to be finalised).
- 4. Shareholder approval for the issue of the Public Offer Shares, Consideration Shares, Facilitation Shares, Performance Rights and Director Options will be sought at the Company's General Meeting.

1.8 Substantial Shareholders

Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offers are set out below (**Substantial Shareholders**):

- (a) As at the date of this Prospectus, the Company does not have any Substantial Shareholders.
- (b) Substantial Shareholders on completion of the Offers (assuming no existing Substantial Shareholder subscribes and receives additional Shares pursuant to the Public Offer):

Substantial Shareholder	Keach Securities & Investments Pty Ltd ¹	Harbour Capital Asset Management Pty Ltd ²	
Shares	90,548,668	74,481,865	
Performance Rights	41,337,435	34,002,591	
Options	937,500	Nil	
% Minimum Subscription (undiluted)	19.79%	16.28%	
% Minimum Subscription (diluted)	21.80%	17.1%	
% Minimum Subscription (diluted)	17.84%	14.67%	
% Maximum Subscription (diluted)	20.15%	16.46%	

Notes

- 1 Keach Securities & Investments Pty Ltd is an entity associated with ECS founder and Proposed Managing Director Alex Keach.
- 2 Harbour Capital Asset Management Pty Ltd is an entity associated with Guy Banducci (incoming ECS senior management).

The Company will announce to the ASX details of its top 20 Shareholders (following completion of the Offers) prior to the Shares re-commencing trading on ASX.

1.9 Restricted Securities

Subject to the Company being admitted to the Official List, it is expected that certain Securities currently on issue or to be issued pursuant to the Offers will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will seek to enter into restriction agreements in respect of all Securities classified by ASX as restricted securities in accordance with Chapter 9 of the ASX Listing Rules.

The Company will announce to the ASX full details (quantity and duration) of the Shares and Options required to be held in escrow prior to the Shares commencing trading on ASX.

Based on the above estimates, the Company anticipates its free float upon commencement of trading on ASX will be as follows:

%	%	% Maximum Subscription (undiluted)	%
Minimum Subscription	Minimum Subscription		Maximum Subscription
(undiluted)	(diluted)		(diluted)
34.17%	25.66%	40.65%	31.30%

1.10 Financial Information

ECS was only recently incorporated (on 1 February 2018) and has no material operating history and no material historical financial performance.

As a result, the Company is not in a position to disclose any key financial ratios other than the information set out in this Section, and the information included in the Investigating Accountant's Report set out in Annexure A of this Prospectus.

This Section contains a summary of the key financial information of the Company and ECS, being the audited historical financial statements for the Company for the period ending 31 December 2018, together with the audited financial statements of ECS from its date of incorporation 1 February 2018 to 31 January 2019, plus unaudited pro-forma financial information assuming Completion of the Acquisition and Recompliance (**Financial Information**).

The Financial Information is presented in an abbreviated form and does not contain all the disclosures that are usually contained in an annual report prepared in accordance with the Corporations Act.

Accordingly, the Financial Information below should be read in conjunction with all other information in this Prospectus, in particular, the Investigating Accountant's Report in Annexure A.

	AYG	AYG ECS		Pro-forma adjustments		Pro-forma after Offer	
	Reviewed as at 31-Dec-18	Audited as at 31-Jan-19 \$	Subsequent events \$	Min \$	Max \$	Min \$	Max \$
CURRENT ASSETS							
Cash and cash equivalents	45.570		198,349	3,909,519	5,787,367	5.588.824	7,466,672
Trade and other receivables	18,164	27,464	-	-	-	45,628	45,628
Inventories	., .	81,550	_	_	-	81,550	81,550
TOTAL CURRENT ASSETS	63,734	1,544,400	198,349	3,909,519	5,787,367	5,716,002	7,593,850
NON CURRENT ASSETS							
Property, plant & equipment	-	42,301	_	-	_	42,301	42,301
TOTAL NON-CURRENT ASSETS	-	42,301	-	-	-	42,301	42,301
TOTAL ASSETS	63,734	1,586,701	198,349	3,909,519	5,787,367	5,758,303	7,636,151
CURRENT LIABILITIES							
Trade and other payables	47,354	27,225	(18,560)	-	-	56,019	56,019
TOTAL CURRENT LIABILITIES	47,354	27,225	(18,560)	-	-	56,019	56,019
TOTAL LIABILITIES	47,354	27,225	(18,560)	-	-	56,019	56,019
NET ASSETS/(LIABILITIES)	16,380	1,559,476	216,909	3,909,519	5,787,367	5,702,284	7,580,132
EQUITY							
	E4 E40 4E4	4 7EE 200	216.909	(45 742 220)	(42.062.220)	7 776 042	0.656.043
Contributed equity Capital contributions	51,548,154	1,755,200 100,500	210,909	(45,743,320)	(43,863,320)	7,776,943 100,500	9,656,943 100,500
Reserves	_	100,000	_	224.125	224.125	224,125	224.125
Accumulated losses	(51.531.774)	(296,224)	_	49.428.714	49.426.562	(2.399.284)	(2,401,436)
TOTAL EQUITY	16,380	1,559,476	216.909	3,909,519	5,787,367	5,702,284	7,580,132

Refer to the Investigating Accountant's Report in Annexure A for further details, noting that the cash and cash equivalents balance above does not account for working capital movements from the above balance sheet dates until completion. The Investigating Accountant has been advised that the operating costs of AYG and ECS subsequent to the above balance sheet dates and up to the date of the lodgement of the prospectus are expected to be \$134,713 and \$135,000 respectively.

1.11 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

1.12 Dividend Policy

The Company anticipates that significant expenditure will be incurred in the development of ECS' business. These activities are expected to dominate the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that time.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

1.13 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Sections 6.4 to 6.14, and the Company's compliance and departures from the Recommendations are set out in Section 6.15.

In addition, following Completion of the Acquisition, the Company's full corporate governance polices will be available from the Company's website (www.ecsbotanics.com.au).

1.14 Disclosure of Interests

For each of the Directors, the proposed annual remuneration following the Company being admitted to the Official List together with the relevant interest of each of the Directors in the Securities of the Company as at the date of this Prospectus and Securities to be issued as a result of the Offers and transactions under the Term Sheet (subject to Shareholder approval at the General Meeting) is set out in the table below.

Director	Alex Keach (Proposed Director)	David McCredie (Proposed Director)	Jeremy King (Existing Director)	Michael Nitsche (Existing Director)	Justyn Stedwell (Resigning)
Remuneration upon Recompliance (per annum) ^{1,2}	\$195,000	\$36,000	\$36,000	\$36,000	N/A
Shares currently held (directly or indirectly)	Nil	Nil	Nil	Nil	7,650 ³
Current Voting Power	Nil	Nil	Nil	Nil	0.02%
Public Offer Shares ⁴	Nil	1,250,000	1,250,000	1,250,000	Nil
Consideration Shares (Vendor Consideration)	90,548,668	425,611	Nil	Nil	Nil
Voting Power in AYG after Acquisition (Minimum Subscription, undiluted)	19.79%	0.37%	0.27%	0.27%	0.002%
Performance Rights (Vendor Consideration)	41,337,435	194,301	Nil	Nil	Nil
Director Options	937,500	937,500	11,000,000	5,500,000	2,000,000

Notes

- During the financial year ended 30 June 2017, Justyn Stedwell received remuneration of \$29,498, and Jeremy King received remuneration of \$11,315. During the financial year ended 30 June 2018, Justyn Stedwell received remuneration of \$24,000, and Jeremy King received remuneration of \$24,000. During the financial year ended 30 June 2018, Justyn Stedwell received remuneration of \$24,000, and Jeremy King received remuneration of \$24,000. Refer to Sections 7.2, 7.5 and 7.6 for the material terms of the Directors' appointment contracts following Recompliance.
- 2 If a Director, at the request of the Board of Directors, performs extra services, the Company may pay that Director a fixed sum set by the Board of Directors for doing so. Directors are also reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.
- 3 Of these Shares, 5,000 are held directly by Mr Stedwell and 2,650 are held indirectly.
- David McCredie, Jeremy King and Michael Nitsche (and/or their nominees) may elect to participate in the Public Offer up to the extent of 1,250,000 Shares each (being a total of \$50,000 each). Shareholder approval for the issue of these Public Offer Shares to David McCredie, Jeremy King and Michael Nitsche (and/or their nominees) will be sought at the General Meeting.
- David McCredie is a Proposed Director of AYG, to be appointed at Completion of the Acquisition, subject to Shareholder approval at the General Meeting. David McCredie, is also a Vendor. David will receive Consideration Shares and Performance Rights on an arms length pro-rata basis on the same terms as all other Vendors. David (or his nominees) will also receive Director Options pursuant to the Term Sheet, and may elect to participate in the Public Offer per note 4 above. Shareholder approval for these matters will be sought at the General Meeting.
- Alex Keach is a founder of ECS and a Proposed Director of AYG, to be appointed at Completion of the Acquisition, subject to Shareholder approval at the General Meeting. Further, an entity associated with Alex Keach (Keach Securities & Investments Pty Ltd) will receive Consideration Shares and Performance Rights on an arms-length pro-rata basis on the same terms as all other Vendors. Alex Keach (and/or his nominees) will also receive Director Options pursuant to the Term Sheet. Shareholder approval for these matters will be sought at the General Meeting.
- 7 The Performance Rights and Consideration Shares will be subject to ASX imposed escrow terms. See Section 7.1 for the material terms and conditions of the Acquisition.

1.15 Agreements with Directors or Related Parties

1.15.1 Related Party policy

The Company's policy in respect of Related Party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

1.15.2 Acquisition of ECS Botanics

Proposed Directors Alex Keach and David McCredie are also directors of ECS, and are also Vendors under the Term Sheet. Accordingly, Alex Keach and David McCredie (or entities associated with them) will receive Consideration Shares and Performance Rights as Consideration for the Acquisition on arms length terms on the same basis as the other Vendors (being an allocation of Consideration Shares and Performance Rights on a pro-rata basis to their shareholdings in ECS).

Shareholder approval for the Acquisition (including approval for the issue of the Consideration Shares and Performance Rights) will be sought at the General Meeting (as set out in the Company's Notice of Meeting).

1.15.3 Director's appointment contracts

The Company is party to executive service agreements and letters of appointment with the current Directors and Proposed Directors, the material terms of which are set out in Sections 7.2, 7.5 and 7.6.

1.15.4 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors, and the Proposed Directors. Under these deeds, the Company agrees to indemnify each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as an officer of the Company (except to the extent that the liability arises out of conduct involving a lack of good faith of the Director or Proposed Director). The Company is also required to maintain insurance policies for the benefit of the relevant Director and must also allow the Directors to inspect board papers in certain circumstances.

1.15.5 Mirador Company Secretarial Mandate

The Company has entered into a letter mandate with Mirador Corporate Pty Ltd (**Mirador**) in respect of Mauro Piccini's appointment as company secretary, and for the provision of company secretarial services by Mirador to the Company. Mirador is a company associated with Jeremy King, a current Director of the Company.

For further details, refer to Section 7.8.

1.15.6 ECS Sydney office sub-letting arrangement

The Australian-British Chamber of Commerce, an entity associated with Proposed Director David McCredie has sublet office space to ECS for ECS' Sydney office at standard commercial rates on a monthly basis.

1.15.7 ECS Tasmanian Farm Lease with Call Option to Purchase

ECS (as tenant) has entered into a lease for its hemp farm located in Cressy, Tasmania (south of Launceston) known as the "Coy Farm" with Keach & Co. Pty Ltd (as landlord) (**Keach & Co**), with the Proposed Directors Alex Keach and David McCredie acting as guarantors to the lease in their personal capacity (**Tasmanian Farm Lease**).

Keach & Co is an entity associated with Proposed Director Alex Keach. The term of the Tasmanian Farm Lease is 3 years from September 2018 at a rental rate of \$52,000 per annum (excluding GST), plus a 3 year option to extend (subject to CPI rent review). Proposed Directors Alex Keach and David McCredie have guaranteed the obligations of ECS under the lease.

ECS has also entered into a call option agreement with Keach & Co for the option to purchase the Coy Farm from Keach & Co (Call Option). Pursuant to the Call Option, ECS may elect to purchase the Coy Farm at any time during the 24 month period from commencement of the lease (September 2018). The purchase price for the Coy Farm will be the greater of the market value and Keach & Co's land acquisition costs, costs of any improvements to the property, plus 10% if the Call Option is exercised within the first 12 months, or 8% if the Call Option is exercised after the first 12 months.

For further details, refer to Section 7.10.2.

Alex Keach is the founder of ECS and Keach & Co is a Vendor (being a shareholder of ECS). Accordingly, pursuant to the Acquisition, Keach & Co will receive Consideration Shares and Performance Rights on an arms length pro-rata basis on the same terms as all other Vendors. Shareholder approval for the issue of Consideration Shares and Performance Rights to the Vendors will be sought at AYG's General Meeting.

1.15.8 ECS Agreement for Cropping Services

ECS has entered into a service agreement with Macquarie Cropping Services Pty Ltd (**MCS**) under which MCS will facilitate growing and seed supply services, agronomic guidance services and cropping services to ECS in Tasmania for a period of 5 years. No set fees are agreed under the service agreement, however ECS anticipates fees will be agreed with MCS and paid to MCS for their services on standard industry rates.

MCS is a Vendor (being a shareholder of ECS) but is not associated with any directors of ECS. Accordingly, pursuant to the Acquisition, MCS will receive Consideration Shares and Performance Rights on an arms length pro-rata basis on the same terms as all other Vendors. Shareholder approval for the issue of Consideration Shares and Performance Rights to the Vendors will be sought at AYG's General Meeting.

For further details of the material contracts to which the Company and ECS are party to, refer to Section 7.

2. Letter from Incoming Managing Director

Dear Investor,

It is my pleasure to invite you to become a shareholder of Axxis Technology Group Ltd (to be renamed ECS Botanics Holdings Ltd) (the **Company**).

As a result of the legalisation of hemp food products under Australian law in November 2017, and subject to the Company successfully completing the Recompliance, the Board is enthusiastic about the Acquisition of ECS and its future.

ECS currently operates in the industrial hemp food industry in Australia, with its business focus being the cultivation, processing, manufacturing, distribution of wholesale and retail hemp food products. ECS' current main operations include the cultivation of hemp in Tasmania. ECS also cultivates hemp in Queensland, and processes and manufactures hemp food products in Tasmania via its third party supply chain. ECS' head office administration functions are located in New South Wales.

ECS grows hemp on leased farming properties in Tasmania and Queensland, and procures hemp from third parties. ECS uses the hemp it grows, together with the hemp sourced from third parties, produce a range of retail and wholesale hemp food products. ECS has the licences it requires to conduct all aspects of its current and proposed hemp food business in Australia. ECS also holds medicinal cannabis licence applications with the Office of Drug Control, which, if granted, will form a non-core complementary facet to ECS' business.

The purpose of the Public Offer under this Prospectus is to fund the commercialisation of ECS' industrial hemp food product business and provide additional working capital to support the growth of ECS' industrial hemp food product business. The Prospectus also contains the Vendor Offer, which is a compliance offer of Consideration Shares and Performance Rights to the Vendors of ECS.

This Prospectus contains detailed information about the Public Offer, Vendor Offer, the hemp industry and the proposed business activities of ECS including its plans to commercialise and grow its business. The Prospectus also contains information about the Conditions of the Offers (Section 3.6) and risks associated with ECS' business (Section 5).

As ECS is an early stage business, there are inherent risks associated with an investment in the Company, including but not limited to: recompliance risks, removal of suspension, significant dilution risk, business strategy risk and limited history, regulatory risks and supply chain risks.

I urge you to read this Prospectus carefully in its entirety before making a decision as to whether to invest in ECS, and if required seek professional financial advice before investing.

On behalf of the Board, I look forward to welcoming you as a Shareholder of the Company.

Yours sincerely

Alex Keach

Incoming Managing Director

Mead

3. Details of the Offers

3.1 The Offers

The offers under this Prospectus are comprised of the Public Offer and Vendor Offer described below (collectively, the **Offers**).

The Company reserves the right to extend the Offer or close the Offer early.

3.1.1 The Public Offer

Pursuant to the public offer (**Public Offer**), the Company invites application for a public offer of Shares at an issue price of \$0.04 per Share to raise:

- (a) a minimum of \$4,500,000 via the issue of 112,500,000 Shares (**Minimum Subscription**); up to
- (b) a maximum of \$6,500,000 via the issue of 162,500,000 Shares (**Maximum Subscription**),

before costs of the Offers (collectively, **Public Offer Shares**).

All Shares offered under the Public Offer will rank equally with the existing fully paid ordinary Shares on issue.

Shareholder approval to conduct the Public Offer and issue the Public Offer Shares will be sought at the General Meeting.

3.1.2 The Vendor Offer

Pursuant to the terms and conditions of the Acquisition under the Term Sheet, the Company is proposing to issue 287,500,000 fully paid ordinary Shares (**Consideration Shares**) and 131,250,000 performance rights (**Performance Rights**) to the current shareholders of ECS (**Vendors**) as consideration for the Company's acquisition of 100% of the issued share capital of ECS.

Accordingly, this Prospectus also contains the vendor offer (**Vendor Offer**) (under which no funds will be raised) under which the Company invites Vendors to apply for:

- (a) 287,500,000 Consideration Shares; and
- (b) 131,250,000 Performance Rights.

The Consideration Shares offered under the Vendor Offer will rank equally with the existing fully paid ordinary Shares on issue.

The Performance Rights will be issued on the terms and conditions set out in Section 8.9.

Refer to Section 7.1 for the material terms of the Company's proposed Acquisition of ECS pursuant to the Term Sheet.

Shareholder approval to conduct the Vendor Offer and issue the Consideration Shares and Performance Rights will be sought at the General Meeting.

3.2 Capital structure

The capital structure of the Company following Offers, the Acquisition and other matters is set out in Section 1.7.

3.3 Change in name and ASX Code

Subject to Shareholder approval at the General Meeting, the Company will change its name to 'ECS Botanics Holdings Ltd'. The Directors believe that this new name better suits the Company and reflects the ECS brand, moving forward pursuant to the Acquisition.

Consistent with the name change, the Company will also change its ASX code to ECS.

3.4 Purpose of the Offers

The Offers are being made to give effect to the Acquisition of ECS and for the Company to conduct the Recompliance with Chapters 1 and 2 of the ASX Listing Rules.

Specifically:

- (a) the purpose of the Public Offer is to assist the Company to meet the requirements of ASX and re-comply with Chapters 1 and 2 of the Listing Rules and provide additional funds to enable the Company to fund development of ECS' industrial hemp business, pay costs of the Offers, and provide general working capital; and
- (b) the purpose of the Vendor Offer is to satisfy the requirements of the Term Sheet (and the Corporations Act), being the issue the Consideration Shares and Performance Rights to the Vendors in consideration for the Company's acquisition of 100% of the issued share capital of ECS,

and as otherwise set out in this Prospectus.

3.5 Objectives of the Offers and use of funds

Funds raised from the Capital Raising will be utilised as set out in Section 1.6 above.

3.6 Conditions of the Offers

The Offers are conditional upon:

- (a) the Company obtaining all necessary Shareholder and regulatory approvals required to effect the Acquisition and Recompliance (being the Shareholder approvals to be sought at the Company's General Meeting on 28 May 2019);
- (b) the Company receiving sufficient applications to meet the Minimum Subscription under the Public Offer; and
- (c) the Company receiving written approval from ASX for the re-admission of the Company's Securities to the Official List of ASX on conditions reasonably acceptable to the Company;

(together, the Conditions of the Offers).

The Company's Securities have been suspended from Official Quotation since 22 September 2016 and will not be re-instated until the Conditions of the Offers are achieved, and until ASX exercises its discretion to re-admit the Company to the Official List pursuant to the ASX Listing Rules.

There is a risk that the Conditions of the Offers will not be achieved. In the event the Conditions of the Offers are not achieved, the Company will not proceed with the Offers and will repay all Application Monies received. Refer to Section 5 for a further description of risks.

3.7 Forecasts

ECS has no material operating history and will operate in an industry in which there are significant uncertainties associated with forecasting future revenues from its previous activities. Following the Acquisition, the Company will still not be in a position to provide a forecast as ECS is yet to build a reliable history of revenue and profitability.

The Directors believe that given these inherent uncertainties, it is not possible to include a reliable forecast in this Prospectus.

3.8 Minimum Application under Offers

Applications under the Public Offer must be for a minimum of 50,000 Shares (\$2,000) and thereafter in multiples of 12,500 Shares (\$500). Applications to subscribe for Shares under the Public Offer will only be accepted on the Public Offer Application Form.

Applications under the Vendor Offer must be made on the personalised Vendor Offer Application Form which will be provided to each Vendor.

3.9 Minimum Subscription

The Minimum Subscription under the Offer is \$4,500,000. If the Minimum Subscription to the Offer of \$4,500,000 has not been raised within 4 months after the date of this Prospectus, the Company will not issue any Shares and will repay all Application Monies for the Shares within the time prescribed under the Corporations Act, without interest.

3.10 Joint Lead Managers

The Joint Lead Managers to the Offers are Xcel Capital and Sanlam Private Wealth. Refer to Sections 1.5 and 7.9 for details of the Joint Lead Manager Mandate and the fees payable by the Company to the Joint Lead Managers.

3.11 Offers not Underwritten

The Offers are not underwritten.

3.12 How to Apply

3.12.1 Applications under the Offers

Applications for Securities under the Offers can only be made using the relevant Application Form accompanying this Prospectus or otherwise provided by the Company. The Application Form must be completed in accordance with the instructions set out on the form. No brokerage, stamp duty or other costs are payable by Applicants. For the Public Offer, all Application Monies will be paid into a trust account. An original, completed and lodged Application Form together with payment for the Application Monies (for applications under the Public Offer), constitutes a binding and irrevocable offer to subscribe for the number of Securities specified in the Application Form. The Application Form does not need to be signed to be valid.

If the Application Form is not completed correctly or if the accompanying payment (for applications under the Public Offer) is for the wrong amount, it may be treated by the Company as valid, at the Directors' discretion. The Directors' decision as to whether to treat such an Application as valid and how to construe amend or complete the Application Form is final. If your cheque or BPAY® payment for the Application Money (for applications under the Public Offer) is different to the amount specified in your Application Form then the Company may accept your Application for the amount of Application Money provided.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the issue of Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

3.12.2 Applying for the Public Offer

General

Applications under the Public Offer must be for a minimum of 50,000 Shares (\$2,000) and then in increments of 12,500 Shares (\$500). Payments must be made in Australian dollars. The Public Offer may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Public Offer or accept late Applications.

Option 1: Submitting an Application form with a cheque

Completed Application Forms and accompanying payment cheques must be received by the Company before 5.00pm (WST) on the Closing Date by either being delivered to or posted to the address set out below. Cheques must be payable to "Axxis Technology Group Ltd – ECS Offer Account". Please attach your cheque securely to the Application Form:

Computershare Investor Services Pty Limited GPO Box 52
MELBOURNE VIC 3001

Option 2: Submitting an Application Form and paying with BPAY

Applicants under the Public Offer wishing to pay by BPAY® should complete the online Public Offer Application Form accompanying the electronic version of this Prospectus which is available via a link at www.ecsbotanics.com.au and follow the instructions on the online Public Offer Application Form (which includes the Biller Code and your unique Customer Reference Number (CRN)). You should be aware that you will only be able to make a payment via BPAY® if you are the holder of an account with an Australian financial institution which supports BPAY® transactions. When completing your BPAY® payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (WST) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY®, and policies with respect to processing BPAY® transactions may vary between banks, credit unions or building societies. The Company accepts no responsibility for any failure to receive Application Monies by BPAY® before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

3.12.3 Applying for the Vendor Offer

If you are a Vendor applying for Consideration Shares and Performance Rights under the Vendor Offer, you must complete and return your personalised Vendor Offer Application Form accompanying this Prospectus. Vendors will be issued an allocated number of Consideration Shares and Performance Rights under the Vendor Offer pursuant to the Term Sheet. Vendors may not apply for Consideration Shares and Performance Rights in excess of the amount specified on their personalised Vendor Offer Application Form, unless an Application is made pursuant to the Public Offer on a Public Offer Application Form.

Completed Vendor Offer Application Forms should be returned prior to 5.00pm (WST) on the Closing Date by post to:

Computershare Investor Services Pty Limited GPO Box 52 MELBOURNE VIC 3001

Refer to the instructions on the back of your personalised Vendor Offer Application Form when completing your Application under the Vendor Offer.

The Offers may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Offers or accept late applications.

3.13 ASX Listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all Application Monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.14 Issue of Shares

Subject to the Minimum Subscription to the Public Offer being reached and the Conditions of the Offers being satisfied, issue of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of all the Shares in their absolute discretion (in conjunction with the Joint Lead Managers, and subject to the terms and conditions of the Term Sheet). The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

3.15 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

3.15.1 Hong Kong

WARNING - This document has not been, and will not be, registered as a prospectus under the Hong Kong Companies Ordinance, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

3.15.2 Singapore

This document has not been lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore (MAS) and therefore, the statutory liability under the Securities and Futures Act (Cap. 289) (SFA) in relation to the content of prospectuses will not apply. The MAS assumes no responsibility for the contents of this document. The MAS has not in any way considered the merits of the Securities being offered pursuant to the Offers as described in this document. You should consider carefully whether this offer is suitable for you.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Company's Securities may not be circulated or distributed, nor may the Company's Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with the exemption set out in section 273(1)(b) of the SFA or otherwise in accordance with any other relevant exemption under the SFA.

Any offer of the Company's Securities is personal to you, and is not made to you with a view to the securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

3.15.3 People's Republic of China

This Prospectus may not be circulated or distributed in the People's Republic of China (**PRC**) and the Shares offered by this Prospectus have not been offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. The contents of this Prospectus have not been reviewed by any PRC regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice. For the purpose of the information above, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

3.15.4 United Kingdom

Neither the information in this document nor any other document relating to the Public Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of Section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of Section 86(7) of FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to Section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 21(1) of FSMA does not apply to the Company. In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (FPO), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together relevant persons). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

3.16 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.17 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offers in which case the Company will return all Application Monies (without interest) as soon as practicable of giving notice of their withdrawal.

4. Company and Industry Overview

4.1 Hemp Industry Overview

4.1.1 Industrial hemp vs marijuana

Hemp (or industrial hemp) and marijuana come from the same plant genus cannabis. There are many different varieties of hemp and marijuana, but they remain genetically distinct including their chemical makeup, use and method of cultivation.

Marijuana (generally being cannabis varieties with higher levels of delta-9-tetrahydrocannabinol (**THC**)) is commonly bred for its potent, resinous glands which contain high amounts of cannabinoids, most commonly THC, known for its psychoactive properties.

Industrial hemp (generally being cannabis varieties with lower levels of THC) only contains trace amounts of THC, usually less than 0.3% and is grown as an industrial crop. Despite being an industrial crop, stringent measures are taken by governments in terms of strict licensing arrangements and regular testing to ensure THC levels are low.

4.1.2 Industrial hemp and its uses

Hemp is a comparatively eco-friendly and versatile crop. Hemp is easy to cultivate and can be harvested and processed into many kinds of products. Historically, the hemp industry has utilised hemp in textiles, paper, stock feed and oil. More recently, the hemp industry has expanded into food products and supplement/nutraceutical sectors.

However, hemp products (and product sectors) are subject to varying levels of regulation in each relevant jurisdiction (see Section 4.1.4 below).

Food products made from hemp seeds are believed to be a good source of essential nutrients without an excess of calories and sugars. Growing demand for non-animal protein sources also supports the expansion of hemp industry.

Hemp foods are categorised as "superfoods" due to their rich nutritional profile. They are rich in protein, fibre and healthy fatty acids. They have antioxidant effects and may reduce symptoms of numerous ailments, improve the health of the heart, skin and joints.

Hemp food may provide many benefits to consumers, including:

- (a) Hemp seeds are a high and complete source of protein containing all nine essential amino acids which the body cannot produce and therefore must be absorbed through the diet. Hemp seeds are especially rich in an amino acid called arginine, which has benefits for heart health.
- (b) Hemp seed oil is high in essential fatty acids (**EFAs**) and contains high levels of omega-3 and a healthy ratio of omega-6 to omega-3 (between 2:1 and 3:1 ratio). EFAs (and the correct balance of EFAs) are important to nourish and protect brain cells and reduce inflammation. Reducing inflammation may help manage the symptoms of chronic diseases, such as type 2 diabetes, arthritis and heart disease.

(c) Hemp seeds contain a variety of vitamins and minerals including vitamin E, magnesium, phosphorous and potassium. They are also a good source of iron, zinc and B vitamins, including: niacin, riboflavin, thiamine, vitamin-B6 and folate.

4.1.3 Competitive landscape

The Australian industrial hemp industry is a developing industry. As a result, Australia's industrial hemp industry is fragmented, and many companies who are actively involved in the market are still trying to gain market share and establish a long-term relationship with their customers and suppliers.

Hemp is a regulated industry, and Australian hemp market participants need to obtain the required licences to cultivate, supply and manufacture hemp. In addition to meeting the regulatory requirements of the industry, market participants seeking to enter the market need to have specific knowledge and adequate resources in order to gain competitive advantage and differentiate their business model.

ECS Botanics is a vertically integrated hemp food business (insourcing and outsourcing along the supply chain). Currently, there are other companies with a similar business model in the market. Accordingly, ECS' competitors include other companies supplying hemp food in Australia, such as Hemp Foods Australia and Vita Hemp.

4.1.4 Legislative and regulatory framework

Investors should refer to the Legal Report in Annexure B for details of the legislative and regulatory framework affecting ECS' business. However, a summary is set out below.

Recent changes to regulations in Australia provide that the sale of low THC hemp seeds as food (or as an ingredient for food and related products such as oil, beverages and other products meeting specific requirements) is now permitted in Australia.

The hemp food industry in Australia is nationally regulated by Food Standards Australia New Zealand (**FSANZ**). FSANZ is an independent statutory agency that develops standards which apply to the use of ingredients, processing aids, colouring, additives, vitamins and minerals in the Australian and New Zealand food industry.

The key legislative instrument governing the Australian hemp industry is the Australia New Zealand Food Standards Code (ANZFS Code). FSANZ develops and administers the ANZFS Code. The ANZFS Code is enforced by the food agencies of each state and territory, and the Commonwealth Department of Agriculture in Australia and the New Zealand Ministry for Primary Industries and public health units.

The ANZFS Code previously stated that all cannabis species were listed as a prohibited plant, however the ANZFS Code was amended in November 2017 to permit cannabis sativa seeds to be a food for sale or used as an ingredient in a food for sale if (amongst other things):

- (a) the seeds are low THC cannabis sativa (being cannabis sativa where the leaves and flowering heads do not contain more than 1% THC);
- (b) if the food is for retail sale the seeds are not able to be germinated and are hulled; and

(c) the only cannabinoids in or on the seeds are naturally present.

Accordingly, the ANZFS Code now allows the following products to be sold as food or used as an ingredient in a food for sale in Australia:

- (a) oil extracted from seeds of low THC cannabis sativa (if the oil contains not more than 10mg/kg of total THC);
- (b) a beverage derived from seeds of low THC cannabis sativa (if the beverage contains not more than 0.2mg/kg of total THC); and
- (c) any other product that is extracted or derived from seeds of low THC cannabis sativa which contains not more than 5mg/kg of total THC.

Prior to this change, hemp products were sold in Australia as cosmetic and skincare products, and were not allowed for human consumption.

Globally the use of hemp for industrial uses is broadly accepted and most recently industrial hemp was made federally legal in the United States under the passing of the 2018 Farm Bill. This Bill removed hemp, including its extracts, cannabinoids and derivatives from restrictions under the Controlled Substances Act.

ECS is committed to ensuring that any manufacturer it uses to produce its products is approved by the relevant governing body in the state of production and complies with all applicable standards and regulations including but not limited to licensing requirements and quality management requirements (for example, using manufacturers which have a certified on site product safety program (such as hazard analysis and critical control points, also known as HACCP)).

Accordingly, the legal status of ECS' current business is summarised below (for further information please refer to the Legal Report in Annexure B):

Commonwealth

Commonwealth legislation regulates hemp as a controlled plant, a controlled drug and a border-controlled drug/plant. Accordingly, cultivating, selling, manufacturing, trafficking, possessing or importing hemp is unlawful, unless permitted by another law.

The ANZFS Code currently permits hemp seeds to be used as a food for sale or used as an ingredient in a food for low THC hemp.

Under regulation 5 of the Customs (Prohibited Imports) Regulations 1956 (Cth) (**CPI Regulations**), a licence is required to import all cannabis products into Australia, regardless of the THC levels. There is no distinction in the CPI Regulations between cannabis and low-THC hemp.

ECS currently holds a national importation licence and a national exportation licence, as described in Section 4.4.1 below. These licences allow ECS to apply for the necessary permits required to import/export each specific consignment of goods (subject to Australian customs regulations).

Tasmania

The Tasmanian hemp industry is regulated by the Industrial Hemp Act 2015 (Tas) and the Industrial Hemp Regulations 2016 (Tas). This regime provides for the issue of licences in Tasmania for one or more of the following:

- (a) possession;
- (b) cultivation; or
- (c) supply;

of hemp for:

- (d) commercial production;
- (e) use in any manufacturing process;
- (f) food production; or
- (g) scientific research.

ECS currently holds Tasmanian licences for the cultivation, manufacture and supply of industrial hemp for commercial and research purposes, as described in Section 4.4.1 below. ECS harvested its first hemp crop in Tasmania in March 2019.

Queensland

In Queensland, the Drugs Misuse Act 1986 (Qld) and the Drugs Misuse Regulation 1987 (Qld) regulate commercial products of hemp. Under this regime a licence may be obtained for growing hemp. Hemp plants must be grown from seed certified to produce plants with no more than 0.5% THC concentration.

ECS currently holds a Queensland licence for the cultivation of industrial hemp, as described in Section 4.4.1 below. ECS planted its first hemp crop in Queensland in April 2019, with harvest anticipated to occur in late August 2019.

Victoria

In Victoria, a person may be authorised under the Drugs, Poisons and Controlled Substances Act 1981 for commercial or research purposes relating to non-therapeutic use, to:

- (a) possess, process, sell or supply cannabis seed which has been harvested from low THC cannabis; or
- (b) cultivate and possess cannabis from seed which has been harvested from low THC cannabis; or;
- (c) possess, process, sell or supply cannabis, which:
 - (i) is substantially free of leaves and flowering heads; and
 - (ii) does not contain tetrahydrocannabinol in excess of 0.1 per cent.

Any third party that processes hemp in Victoria is required to hold an authority at the time of each supply of hemp to that third party.

Commonwealth of Australia Criminal Code

It is an offence to cultivate or sell a 'controlled plant', manufacture, traffic or possess a 'controlled drug' or import a 'border controlled drug/plant' under the Commonwealth Criminal Code (Part 9.1).

The Criminal Code Regulations 2002 provides that any plant of the genus cannabis is:

- (a) a 'controlled plant' (subsection 5B(1));
- (b) a 'border controlled plant' (subsection 5E(1));
- (c) both a 'controlled drug' (subsection 5B(1)) and 'border controlled drug' (subsection 5B(1)) (50 and 51 of Schedule 3, 34 to 36 of Schedule 4).

The provisions provide further that such cultivation or sale are not an offence if permitted under another law of the Commonwealth of Australia, or a State or Territory where the activities take place (Subdivision 313.1 and subsection 10.5 of the Criminal Code).

4.1.5 Size of the market

As hemp foods were only legalised in November 2017 in Australia, the Directors consider the industry as a fast growing and emerging. The global hemp food market is expected to grow at a compound annual growth rate of 24% between 2018-2022.

Both locally and globally, the industrial hemp (and medicinal cannabis industry) is undergoing transformation and growth – from access to medical and recreational cannabis, legislation of hemp food in Australia and the passing of the 2018 US Farm Bill legalising hemp.

As hemp seeds were only recently legalised in November 2017, there is limited reputable historic data for the industrial hemp food industry in Australia. However, the nearest market reference point is that of the plant-based protein market. The plant-based protein market is expected to register an estimated compound annual growth rate of 7%, during the forecast period, 2019-2024. Furthermore, Australia is the third fastest growing vegan market in the world, with 2 million Australians now meat free.

4.1.6 Drivers of growth for hemp food products

As a result of the emergence of hemp seed as a superfood, there is a growing demand locally and globally of hemp food products (such as hemp seed oil, hemp flour, and hemp protein powder).

It is believed that consumption of hemp, which rich in essential fatty acids and essential amino acids, provides additional nutritional value that may reduce the risk of some diseases.

Additionally, hemp food products are attractive in the current food industry as hemp seeds are naturally gluten free. Hemp is also high in protein, an essential macronutrient for the human body. Incorporating hemp as part of healthy diet may increase the overall consumers' wellness.

4.2 AYG and Acquisition Overview

4.2.1 AYG History

Axxis Technology Group Ltd (**AYG** or the **Company**) was incorporated in Queensland on 20 February 1970 and first listed on ASX on 13 March 1986.

AYG restructured its business in 2014, and ultimately divested of its assets, including the sale of its IT services business Annitel to Inabox Group Ltd in January 2015. AYG was suspended form the Official List on 22 September 2016.

AYG has no current assets other than its current cash at bank, and accordingly, the principal activity of AYG during the past years consisted of continuing a wider search for acquisition opportunities that would enable the Company to re-commence active trading in a profitable business sector.

Throughout 2015-2017 AYG investigated various opportunities in order to seek out a suitable business to acquire that would add further value to AYG shareholders. For various reasons, after careful due diligence and review, those potential acquisition opportunities were not successful.

As announced on 15 February 2019, AYG has entered into the binding Term Sheet to acquire 100% of the issued shares in ECS, subject to the terms and conditions of the Term Sheet, and otherwise as set out in this Prospectus (**Acquisition**). To effect the Acquisition, AYG will be required to recomply with Chapters 1 and 2 of the Listing Rules (**Recompliance**).

Accordingly, AYG now seeks to be re-admitted to the Official List on the basis of ECS' industrial hemp business.

A summary of the key material terms and conditions of the Acquisition and Recompliance pursuant to the Term Sheet is set out in Section 7.1, and a summary of ECS' business is set out in Sections 4.3 to 4.6 below.

4.2.2 Acquisition Overview

Pursuant to the Term Sheet, AYG is seeking to acquire 100% of the issued capital of ECS Botanics with the view to be re-admitted to the Official List on the basis of ECS' industrial hemp business. ECS is a private Australian agribusiness and food company, details of which are set out in Section 4.3 below.

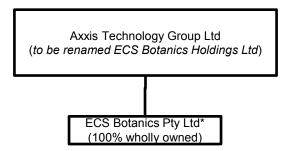
Favourable law change with respect to the consumption of hemp foods has pushed Australia's hemp industry upward. Additionally, it has been shown that hemp seeds are exceptionally rich in omega-6 and omega-3, which has increased the desirability of hemp food products as health food products. Further, over the past 12 months, it can be seen that there is a shift in consumers' preference. Given that people are more conscious about their health and more aware of the importance of healthy and balance diet, plant-based diets are becoming increasingly popular. This is supported by the fact that the number of vegan products in the market has increased significantly.

Accordingly, AYG believes that the acquisition of ECS Botanics will provide an opportunity for the Company to be exposed to Australia's hemp industry. The positive growth of the hemp industry is an indicator of ECS' potential for growth, and potential value for its shareholders.

Shareholder approval for the Acquisition will be sought at the Company's General Meeting on 28 May 2019. Pursuant to the Term Sheet, the Acquisition is subject to certain conditions precedent, including a successful Public Offer capital raising under this Prospectus, ASX approvals, and other general terms and conditions, as set out in Section 7.1.

4.2.3 Corporate Structure following Acquisition

Subject to the completion the Acquisition pursuant to the Term Sheet, the corporate structure of the Company is set out below:



In addition to the above, ECS also owns 100% of the issued capital of Tasmanian Cannabinoids Pty Ltd and Tasmanian Hemp Pty Ltd, however these entities have no assets and are currently dormant.

4.3 ECS Botanics and its Business Model

4.3.1 ECS' core business – Industrial Hemp

ECS Botanics is an early stage agribusiness and food company with a main focus on industrial hemp. ECS' office operates out of New South Wales, and its current farming activities are based in Tasmania and Queensland.

ECS was founded by Alex Keach and incorporated on 1 February 2018 in response to the changes in ANZFS Code in November 2017.

ECS' vision is to establish a leading industrial hemp company, with the aim to obtain and maintain the necessary licences granted to cultivate, manufacture and supply hemp food products throughout Australia.

The strategy applied by ECS is to operate across the industrial hemp food supply chain, insourcing and outsourcing where required. The ultimate objective of ECS is to be the leading hemp food supplier in Australia, and subject to growth and regulatory compliance, potentially in other countries.

ECS aims to take advantage of the hemp industry growth by launching a range of wholesale and retail hemp food products in Australia, with the following key goals:

- (a) to continue to cultivate its existing supply of hemp, and to expand its level of hemp cultivation;
- (b) manufacture and sell a suite of wholesale hemp products, and innovative retail hemp food products to generate revenue;
- (c) to develop strategic and agile business activities to take advantage of the dynamics of the growing Australian hemp industry; and
- (d) to be committed to obtaining and maintaining regulatory compliance (with a focus on keeping up to date with any regulatory changes).

Based on the benefits of consuming hemp food products and growing demand of vegan and plant-based proteins and more alkaline foods, the team of ECS Botanics believe that hemp industry is likely to experience rapid growth in the near future.

ECS aims to enter the hemp food industry by launching its range of retail and wholesale hemp food products in the second to third quarter of 2019. ECS Botanics has entered into various agreements with third-parties along the supply chain that would help ECS to achieve its goals.

Currently, ECS cultivates its own hemp seed and also sources hemp seed supply from its Tasmanian based suppliers.



Hemp growing on ECS' leased Tasmanian Farm – Refer to Section 7.10.2 for further information

ECS aims to work directly with farmers to develop a high quality supply of hemp seed that will be used as a key raw material for all of its the hemp food product range. ECS also actively engages with its key suppliers, processors and manufacturers. Given these close relationships, ECS anticipates it will be able to react rapidly and respond to change in customer trends and preferences.

ECS plans to expand its distribution channel further and increases direct channel sales to customers. This would be done by engaging more aggressively with both large and smaller size retailers, including, supermarkets, retailer stores, and online marketplaces.

Tasmania has long history of producing high quality food and plant-based pharmaceuticals with a clean green image, low cost operating environment, strategic geographic location and supportive local government.

Additionally, ECS has strategically secured storage facilities for its hemp grain. ECS currently owns two 35 tonne silos, being a 70 tonne storage capacity which is capable of storing this season's crop. ECS' growth strategies include seeking to expand its storage facilities in line with its anticipated increase in production volumes.

ECS currently grows hemp on properties that it leases (as tenant) in Tasmania and Queensland, and also relies on third-party hemp suppliers.

ECS has an option to purchase the Tasmanian farming property which it currently leases, the property's location and attributes lends itself to becoming a key asset of ECS and its future expansion.

ECS anticipates that its supply and subsequent wholesale volumes will be underpinned by a diverse grower network in Tasmania and Queensland, and ECS' strong strategic relationships with its third-party contractors. ECS has arranged various agreements along its supply chain to streamline the production of its hemp food products, in order maximise benefits to the business (**Seed to Sale Approach**).

ECS' Seed to Sale Approach is important to reduce risks along the supply chain and to keep ECS' team at the pioneering front of hemp industry knowledge.

The first Tasmanian crop of ECS' hemp was harvested in March 2019 and is currently being processed, with the first sales of ECS' products anticipated to occur towards the end of the second to third quarter of 2019. ECS has also planted a hemp crop in Queensland, with harvest anticipated to occur in late August 2019.

4.3.2 ECS' potential non-core business - Medicinal Cannabis

In addition to the hemp food product business described above, ECS has applied for medicinal cannabis licences with the Office of Drug Control for the cultivation and manufacturing of medicinal cannabis.

If these licence applications are granted, they may form a non-core complementary facet to ECS' business.

If the medicinal cannabis licences are granted ECS will undertake a feasibility study as to the economics of cultivating high CBD cannabis strains and manufacturing full plant extracts and isolates for the domestic and export market (subject to all regulatory requirements).

Currently, the timeframe for grant of the medicinal cannabis licences is unknown.

4.3.3 Intended revenue streams

ECS is not currently generating any revenue.

However, pursuant to its business model, ECS intends to generate revenue through the sale of wholesale and retail hemp food products.

ECS' initial target market for their hemp food products will be Australian consumers.

The first crop of ECS' hemp was harvested in March 2019 and is currently being processed, with the first sales of ECS' products anticipated to occur towards the end of the second to third quarter of 2019.

ECS has also engaged a third party hemp seed supplier. The additional hemp seed supply is expected to be shipped to ECS in the third quarter of 2019 for planting of a further crop in the final quarter of 2019 (anticipated to be ready for harvest by the end of the first quarter of 2020).

ECS' business model separates their core business into wholesale and retail sales:

- (a) Wholesale business involves the sale of the hemp food products to wholesalers and the related subordinated services. The wholesale products will be sold as bulk ingredients, including bulk hemp hearts (dehulled hemp seed), bulk hemp seed oil, hemp protein powder and hemp flour.
- (b) Retail sales involves the sale of retail sized and ready-to-consume hemp food products to standard retail customers. At this stage, ECS' retail product suite includes hemp seed oil by the bottle, hemp heart pouches, hemp seed oil capsules, curry sauces and soups containing hemp seeds, hemp seed protein mixes, and hemp seed superfood boosters (which are combinations of hemp seed and other superfoods which can be added to cereals, muffins and smoothies for added health and flavour benefit).

4.3.4 Product Suite

Following a successful harvest in March 2019, ECS has begun to process the harvest that will be manufactured into wholesale products and be manufactured into retail products, with first sales anticipated to occur towards the end of the second quarter or third quarter of 2019.

ECS' wholesale products are to be sold to customers manufacturing their own hemp food products or using hemp as an ingredient in their products. The wholesale product range includes:

- (a) bulk hemp seed oil;
- (b) bulk dehulled hemp seeds (also known as hemp hearts);
- (c) bulk hemp protein powder; and
- (d) bulk hemp flour.

The retail ECS product range will be offered to standard retail customers as a final product ready for consumption, including:

- (a) retail sized packets of hemp hearts and hemp seed oil (versatile products which can be used in a variety of ways, such as added to protein shakes, salads, cereals soups etc); and
- (b) Flavour Makers manufactured retail products which include soups, protein powders, salad dressing, curry sauces and smoothie boosters.



Example retail products - retail sized packet of hemp hearts and retail sized bottle of hemp seed oil

Specifically, the following retail products have been developed:

- (a) Mexican Spiced Bean Soup with Hemp;
- (b) Indian Masala Lentil Soup with Hemp;
- (c) Thai Green Curry with Hemp;
- (d) Thai Coconut Curry with Hemp;
- (e) Hemp Super Food Booster (Flaxseed, Cocoa & Berries);
- (f) Hemp Super Food Booster (Flaxseed, Almonds, Walnuts, Peanut);
- (g) Citrus & Pinto Bean Dressing with Hemp;
- (h) Hemp Protein Mix (Flaxseed, Chia & Spinach); and
- (i) Hemp Protein Mix (Flaxseed, Chia, Cacao & Beetroot).







Example retail product packaging and retail product catalogue

4.3.5 Key Clients/Customers

Combining internal and external expertise, ECS is on track with the commercialisation of its hemp food range following the recent legalisation of hemp foods in Australia.

However, a material proportion of ECS' revenue will be derived from uncontracted customer relationships, with sales made under standards terms and conditions (as is considered standard in the Australian industry).

Due to the nature of the uncontracted sales, ECS cannot guarantee the consistency of the sales, price, volumes or terms going forwards. Potential investors should note that this could adversely affect the Company's financial performance.

However, in addition to the uncontracted customer relationships, ECS Botanics has a number of contracted and uncontracted arrangements for the supply chain in place:

(a) Agricultural agreements

To support the growth of ECS' hemp seed cultivation, ECS has an agreement with cropping service provider in regards to sourcing hemp seed growers on behalf of ECS, provide information and agronomic guidance, which includes site visits, and providing various necessary agriculture contracting services to farmers where required.

(b) Supply agreements

ECS also engaged an external hemp seed supplier and agronomic service provider to support its business operation. The additional hemp seed supply is expected to be shipped to ECS in the third quarter of 2019 for planting in the final quarter of 2019. ECS will use this secondary supply of hemp seed to increase the business capacity in anticipation of higher hemp food demand in near future.

(c) Manufacturing agreements

ECS has entered into contracts and arrangements with various product manufacturers, to enable the processing and manufacture of ECS' wholesale and retail hemp food products. In particular, ECS is proud to have engaged Flavour Makers to produce ECS' retail products.

ECS has worked with Flavour Makers to develop a range of 9 innovative retail hemp food products, as described in Section 4.3.4 (with product manufacturing test runs complete and the suite being ready for production, subject to processing of the current harvest).

Flavour Makers has over 25 years' experience offering complete end-to-end food development and manufacturing solutions, providing world class private label products for major local and global retailers such as Woolworths, Coles and Walmart. ECS intends that Flavour Makers will support the growth in the current range of ECS products and the expansion of ECS' food product portfolio.

(d) Distribution agreements

Given that the ECS business will be driven by revenue generated from wholesale and retail product sales, ECS has entered into an agreement with an independent retail supermarket group for the stocking and distribution of ECS' hemp food products – when the company has commenced full scale commercial production. Additionally, ECS has received various non-binding letters of intent with other distributors and stores expressing a strong interest in stocking and distributing ECS' wholesale and retail products.

4.4 ECS' Regulatory Licences and Intellectual Property

ECS holds a number of granted regulatory licences, which permit operation of its hemp food product business in Tasmania and Queensland, together with national import/export licences and applications for medicinal cannabis licences, as set out on the following page.

ECS has made applications to protect the intellectual property required to operate its business at its current stage.

4.4.1 ECS' Regulatory Licences

Licence Reference and Jurisdiction	Issuing Authority	Status	Term and Renewal	Material Licence details *
IH 050 Tasmania (Industrial Hemp Licence for Commercial Purposes)	Depart of Primary Industries, Parks, Water and Environment Tasmania	Granted	Issue Date: 6th November 2018 Renewal Date: 3rd April 2023	Licence to CULTIVATE , SUPPLY AND MANUFACTURE Industrial Hemp for Commercial purposes for non-therapeutic use
IHR 051 Tasmania (Industrial Hemp Licence for Research Purposes)	Depart of Primary Industries, Parks, Water and Environment Tasmania	Granted	Issue Date: 6th November 2018 Renewal Date: 3rd April 2023	Licence to CULTIVATE, SUPPLY AND MANUFACTURE Industrial Hemp for Research purposes, for non-therapeutic use
G095 Queensland (Industrial Hemp Licence for Commercial Purposes)	Department of Agriculture, & Fisheries, Biosecurity Queensland	Granted	Issue Date: 4 April 2019 Renewal Date: 3 April 2022	GROWER License for the commercial cultivation of Industrial Hemp for non-therapeutic use.
1921320 National (Import Licence)	Australian Federal Government, Department of Health - Office of Drug Control / Therapeutic Goods Administration	Granted	Issue Date: 30 April 2019 Renewal Date: 31 December 2019	Licence to IMPORT under Regulation 5 of the Customs (Prohibited Imports) Regulations 1956
1921321 National (Export Licence)	Australian Federal Government, Department of Health - Office of Drug Control / Therapeutic Goods Administration	Granted	Issue Date: 30 April 2019 Renewal Date: 31 December 2019	Licence to EXPORT under Regulation 10, 10A, 10B, 10C, 10D, 10E and 10F of the Customs (Prohibited Imports) Regulations 1956
TBA* National (Medicinal Cannabis Licence)	Australian Federal Government, Department of Health - Office of Drug Control	Application	Issue Date: TBA – in application phase Renewal Date: TBA	License to CULTIVATE Medicinal Cannabis Conditions: TBA, pending grant.
TBA* National (Medicinal Cannabis Licence)	Australian Federal Government, Department of Health - Office of Drug Control	Application	Issue Date: TBA – in application phase Renewal Date: TBA	License to MANUFACTURE Medicinal Cannabis Conditions: TBA, pending grant.

^{*} Licences are otherwise subject to standard terms and conditions under the applicable legislation.

4.4.2 Intellectual property

ECS currently has applications pending to trademark its name and logo in Australia, and its name in China and South Korea.

4.5 ECS Key Strengths

4.5.1 Hemp Focussed

Unlike many companies in the cannabis space, ECS Botanics has an industrial hemp focus, rather than a medicinal cannabis focus.

ECS views this as a distinct value driver due to lower level of regulatory scrutiny, lower levels of capital required to build revenues, and time of products to market.

ECS' business has a relatively high exposure in Tasmania, and ECS plans to leverage the Tasmanian clean and green image where relevant. Tasmania is a well-established and low risk agriculture hub, where farmers have relevant experience in growing similar crops (ie poppies, vegetables, cereals), with many necessary agricultural services readily available and established.

4.5.2 Capability for growth

ECS has obtained both research and commercial licenses to cultivate, supply and manufacture hemp seed.

ECS and its team have a high degree of industry knowledge of industrial hemp farming and the supply chain in which it operates. This capability continues to grow as the ECS team expands, the industry grows and the demand for wholesale and retail hemp food products grows and ECS gains more experience.

ECS management believes ECS has the ability and capacity to grow commercial crops and through its network and agreements, has the ability to increase its cultivation volumes and support this growth.

4.5.3 New product development

ECS monitors the landscape of hemp food products, trends and customer preferences.

ECS intends to continue to work with Flavour Makers to develop new and innovative food products to add to its range.

ECS' product development monitoring and capabilities will assist ECS in increasing its competitive advantage, expanding market share and supporting revenue growth.

4.6 ECS' Growth Strategy

4.6.1 Organic growth

The ECS Botanics team aims to continually grow the business by expanding its cultivation volumes and product offering, working closely with its customers, suppliers and farmers in order to manage this growth, and in doing so maintain and improve the quality of its products.

In respect of growth strategies for ECS' retail business operations, ECS has the following aims:

- (a) growing the ECS brand in the market and building brand equity and consumer following, utilising in store promotion and social media;
- (b) expanding ECS' retail footprint by expanding its sales team and employing a sales executive and marketing executive; and
- (c) developing additional innovative hemp food products.

Regarding ECS' wholesale business growth strategies, ECS has the following aims:

- (a) wholesale volumes and revenues are closely related to the number of hectares ECS is able to contract via its grower base in Tasmania. ECS expects to expand its grower base and therefore volumes;
- (b) as ECS' volume expands, ECS intends to hire procurement experts to help ECS revise, direct and streamline its business model;
- (c) ECS, via its agreement with MCS, will seek to provide a quality service to growers in order to increase its position in market, and increase the quality and yield of the hemp seed being cultivated; and
- (d) as ECS continues to grow and the industrial hemp industry develops, ECS aims to investigate opportunities to lower its operational costs and increase economies of scale within the business.

4.6.2 Acquisition growth

The hemp industry is highly fragmented, consisting of many small market participants who are selling their hemp food products under their own brand. Accordingly, current market participants in the market are competing to establish a foothold in their respective markets.

Although acquisition involvement is not a current or key focus of the business at this stage, by combining the operational experience, industrial knowledge and the industry connections of ECS' management, the ECS team believes there may be future potential that ECS may seek to be involved in acquisitions in the industrial hemp sector, including partnerships and joint ventures which are complementary to the existing business of ECS.

5. Risk Factors

5.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company and ECS' business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company or ECS is exposed.

5.2 Transaction Specific and AYG Specific Risks

5.2.1 Recompliance, removal of suspension and additional requirements for capital

Due to the Company's long-term suspension, and the change in nature and scale of activities which will result from completion of the proposed Acquisition of ECS, ASX requires the Company to conduct the Recompliance. Refer to Section 7.1 for the key terms of the Acquisition and Recompliance.

The Company's Securities have been suspended since 22 September 2016 and the Company Securities will remain suspended until all necessary shareholder and regulatory approvals are obtained, completion of the proposed Acquisition and until the Company satisfies any re-admission conditions imposed by ASX (which include the Conditions of the Offers).

The Acquisition under the Term Sheet is subject to the Conditions of the Offers. There is a risk that Shareholders will not approve the Acquisition and/or Recompliance, and/or ASX will not grant the relevant approvals, or that the Company may not be able to satisfy the Recompliance conditions imposed by ASX. In this event, the Company's Securities will remain suspended from trading.

As a result of the current Listing Rules and ASX Guidance Note 33, AYG is of the understanding that it may be removed from the Official List on 22 September 2019 (unless it is able to recomply with Chapters 1 & 2 of the Listing Rules). AYG is seeking to meet this requirement by completing the Acquisition and Recompliance. However, there is a risk that if the Acquisition and Recompliance are not completed by this date, AYG will be removed from the Official List.

The Company's securities will continue to remain in suspension on and from the date of the General Meeting until such time that the Conditions of the Offers are satisfied, ASX grants the Company conditional listing approval, and the Company is able to satisfy ASX's listing conditions. Should the Acquisition not complete, the Company will remain in suspension until such time (if at all) that an appropriate asset is identified and acquired by the Company. There is a risk that the Company may not be able to acquire an appropriate asset and consequently be unable to requote its securities on ASX.

5.2.2 Significant dilution risk

The Company currently has 47,591,067 Shares on issue. Following the Completion of the Acquisition and Recompliance (including the Offers under this Prospectus), the Company's ordinary Shares will increase from 47,591,067 to up to 507,591,067 based on the Maximum Subscription (refer to the capital structure set out in Section 1.7 for further details). Accordingly, based on these numbers, existing Shareholders are expected to be diluted by approximately 90.62% on completion of the Acquisition and Recompliance and will represent a significantly lower proportion of the ownership of the Company upon reinstatement.

It is not possible to predict what the value of the Company, ECS, or a Share will be following completion of the Acquisition and Recompliance, and the Directors do not make any representation as to such matters. The last trading price of Shares on ASX prior to AYG's suspension on 21 September 2016 of \$0.10 is not a reliable indicator as to the potential trading price of Shares after completion of the Rights Issue Offer, Public Offer, Acquisition and Recompliance.

5.3 ECS Specific Risks

5.3.1 Business strategy risk and limited history

Potential investors should consider that ECS is an early-stage enterprise and hemp industry is relatively new, the existing market and the target market is still undetermined and is currently being established. Thus, investing in ECS is highly speculative and involves several significant risks.

ECS' future success is heavily reliant on executing its business plan.

This phase of ECS' growth carries significant risk and there is no assurance the Company will achieve these aspects of its business plan. Since the hemp industry is relatively new, the risk of not successfully executing its business plan is increased.

If ECS is unable to successfully develop these objectives, or if it develops slower than anticipated, there may be an adverse impact on ECS' ability to generate revenue, its financial statements and its ability to fulfil stakeholders' required return.

5.3.2 Establishment and implementation of new legislative regime

ECS' business in Australia operates under the ANZFS Code. Changes to the ANZFS Code came into effect from 12 November 2017 when it approved the sale of low-THC hemp seed foods. For further information, please refer to the Legal Report in Annexure B.

Whilst this can be seen as an opportunity for the business to grow, as with any legislative and regulatory change, there is a natural period of uncertainty whilst regulators, market participants and consumers interpret and respond to the change.

5.3.3 Obtaining and retaining licences and permits

ECS' business model is particularly reliant on obtaining the necessary licences and permits issued by the relevant state governing bodies to cultivate, process and manufacture hemp seeds and sales of hemp food products in both wholesale and retail sectors.

ECS has the necessary licences to cultivate, supply and manufacture in Tasmania and to engage in the commercial production of industrial hemp in Queensland, and

has a national import and a national export licence. The Company has the required permits to operate its business as described in this Prospectus (see Section 4.4). While the Directors have no reason to believe that ECS will not be in a position to maintain its regulatory permits, any change to the regulatory systems which results in ECS not being able to maintain its licences or, which result in licences to being renewed on terms not favourable to ECS, ECS may not be able to undertake the activities for which the relevant licence is required and this would materially adversely impact ECS and its performance. For further information, please refer to the Legal Report in Annexure B.

Potential investors should note that the Company has applied for medicinal cannabis licences (for cultivation and manufacturing) from the Office of Drug Control and is currently waiting for approval. The length of time for approval is currently unknown. There is no assurance or guarantee that the licences will be granted to ECS. A failure to obtain such approvals, licences, or permits will result in ECS being unable to undertake the activities for which the relevant licence or permit is required. This may adversely affect ECS' ability to generate revenue from this noncore area of ECS' business, which may reduce ECS' overall potential profitability.

Under the Australian industrial hemp and medicinal cannabis regulatory regime, the Office of Drug Control in Australia (and each state governing body) requires that when a company applies for an industrial hemp licence or medicinal cannabis licence, the directors and shareholders of the applicant company must pass the "fit and proper persons" test.

If the Acquisition proceeds, ECS will become a wholly owned subsidiary of AYG. AYG is a public company and is applying to be re-admitted to the Official List of the ASX. If successful, the Board cannot control the transfer of shares in AYG or the election of new directors to its Board. If a new shareholder or director of AYG is deemed by the Office of Drug Control (or other applicable state governing body) to be a person with substantial influence over the conduct of ECS and that that person is not a fit and proper person, the licence is likely to be revoked.

5.3.4 Product liability risk

There is a risk that ECS' products may have actual or perceived safety or quality failures or allegations of defective products which could result in:

- (a) litigation or claims by the parties affected;
- (b) regulatory authorities revoking or altering any approvals granted, or forcing ECS to conduct a product recall;
- (c) regulatory action or being held liable for any harm caused to customers;
- (d) damage to ECS' brand and reputation;
- (e) negative impact on the Company's insurance coverage; or
- (f) ECS being forced to terminate or delay sales or operations.

Despite best practice by ECS with respect to the manufacture and supply of its products and any insurance that ECS may hold, the risk of defective products remains and may negatively impact ECS' operations and financial prospects.

5.3.5 Workplace health and safety risk

ECS' business involves farming which is inherently risky for the staff employed in that area. Other (non-farming) employees of ECS may be exposed to risks whilst working or travelling for work.

ECS must comply with various health and safety laws in Australia. There is a risk that penalties and other liabilities for the breach of health and safety law and standards may be imposed on ECS and may have an adverse effect on ECS' reputation and its revenue, profitability and growth.

5.3.6 Agricultural risk

ECS Botanics grows hemp seed and its business is therefore, subject to the risks associated with farming which include weather variability, insects and plant diseases, water salinity, bird damage, pests and access to adequately irrigated land.

Risks also include identifying and gaining access to geographic locations that display the best weather and soil conditions for growing hemp on a large scale.

Whilst ECS' management will endeavour to mitigate these risks with research and planning, any adverse outcomes in respect of these matters for ECS or its suppliers may adversely affect ECS' activities and operations.

5.3.7 Manufacturing and production risk

The ability for ECS Botanics to cultivate and produce products is dependent on a number of key inputs and their related costs. These key inputs include raw materials, electricity, water, other utilities and skilled labour. Any significant interruption or negative change in the availability or cost of these inputs could materially impact the production of the business and subsequently, the operating results of ECS.

In particular, given the nature of the raw materials used by ECS, supply may be limited to a single or limited number of suppliers, with access to these raw materials more competitive than conventional ingredients. As a result, there is an enhanced risk of difficulties in securing the required supplies, or to do so on appropriate terms.

See also Section 5.3.9 below for the related risk associated with ECS' suppliers.

5.3.8 Loss of key customers and distributors

ECS Botanics are reliant on various third-party contracts (binding and non-binding) throughout its business operations.

To the extent that ECS cannot obtain and/or retain customer or distributor contracts (due to disputes, increased competition or changes in the market), ECS' revenue, profitability and growth, additionally, financial performance may be materially and adversely affected. See 5.3.9 below for more information in relation to the related risk with respect to suppliers.

Furthermore, should consumers' sentiments towards hemp food decline in future, there may be an adverse impact on ECS' operations and the financial performance of the Company.

5.3.9 Supplier arrangements

The ability of ECS to cultivate and manufacture products for supply in the Australian industrial hemp market is dependent on a number of key suppliers and their related costs. As with any cultivation or manufacturing operation, the availability of reputable suppliers of key inputs and any significant interruption or change in availability or costs of key inputs could materially impact the production process and hence the products available for supply. Subsequently, this would affect the operating results of ECS during the period which these risks materialise.

If, in future, ECS cannot secure or retain key suppliers, its ability to maintain consistent production levels may be comprised, which in turn may have a material adverse impact on the financial performance of the Company.

ECS is reliant on its third party manufacturers, distributors and logistics providers. ECS has mitigated this risk by selectively in-sourcing and outsourcing various elements of the supply chain, in particular in the areas of cultivation, water licences, irrigation, storage and manufacturing.

However, all of the Company's contracts carry a risk that the third parties do not fulfil their respective obligations fully, or adequately. A failure of a third party or third parties to fulfil their contractual obligations may lead to termination of that contract or damage to ECS' reputation, profit and sale opportunities.

Additionally, while ECS intends to employ a range of suppliers, manufacturers and producers, a loss of one or multiple suppliers will disrupt the supply chain and could have a material adverse effect on the Company.

(a) Cultivation

With respect to cultivation, ECS is leasing farmland in Tasmania to minimise risk in the supply of hemp seed and produce a product to the specifications it requires. Generally, the supply of hemp seed in Australia has been limited and ECS' ability to de-risk itself by producing its own hemp seed is an advantage. Should the ability to produce hemp seed from this farmland due to the lease not being renewed or other agricultural risk affecting the farmland, the advantage gained by ECS growing its own hemp seed will be lost.

ECS' Tasmanian Farm Lease includes two 32 million litre water licences from the Cressy Longford Irrigation Scheme and two new centre pivot irrigation systems. Adequate irrigation is essential to producing a crop and the level of irrigation directly affects the quality and yield of the crop. ECS' water licence and the licence of the irrigation systems ensures an adequate supply of irrigation to its crops. However, the termination or expiration of the Tasmanian Farm Lease and water licence arrangement will have a significant negative impact on ECS' operations.

(b) Storage

ECS owns two 35 tonne aerated silos located in Tasmania and has leased another 10 tonne silo and shed space to accommodate all of ECS' hemp grain supply, and therefore, ECS' has substantially mitigated risks associated with its need for critical storage space for its grain.

However, the termination of ECS' right to use of the 10 tonne silo and shed space would negatively impact ECS' ability to store adequate quantities of its hemp grain and therefore negatively impact its operations as a whole.

(c) Manufacturing

ECS outsources its manufacturing and production processes as it does not have internal manufacturing or production capabilities or facilities. This reliance on third parties to conduct this essential aspect of its business is a material risk to ECS.

ECS has worked to mitigate this risk by developing strong commercial business relationships with these third parties, and outsourcing its manufacturing and production activities to companies that have longevity and good reputations in Victoria and Tasmania. ECS currently has an agreement with one manufacturer to manufacture its retail products and an agreement with another company to process and manufacture ECS' hemp seed oil.

These agreements ensure that the risk of outsourcing this aspect of ECS' business is decreased, and the future manufacturing and processing is assured to the extent of these agreements.

Third parties to whom ECS supplies industrial hemp for processing are required to hold the relevant authorities to enable that third party to receive industrial hemp. If such third parties fail to maintain or renew such authorisations, it may have an effect on the timeframe in which ECS may be able to supply its products to market.

(d) Logistics

As ECS relies on outsourced logistics, events such as strike, an increase in the cost of energy, changes in transport services or destruction of infrastructure may mean ECS cannot supply and deliver the Company's products.

5.3.10 Competition risk

The hemp industry is subject to growing domestic and international competition. While ECS will undertake all reasonable due diligence in its business planning and operations, however it has no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company. For example, ECS' competitors may be more adequately resourced than ECS and therefore can operate more efficiently and at a lower cost.

Further, ECS currently has a suite of hemp food products, however without the benefit of ongoing product differentiation, its products may become uncompetitive resulting in adverse effects on revenue and profitability. If ECS cannot adapt to meet its competitors increased efficiency, it may result in loss of market share and lower profit margins.

5.3.11 Uncontracted arrangements risk

A large proportion of ECS' business relationships are the subject to agreements which are subject to standard terms and conditions rather than comprehensive agreements which protect ECS' interests (as is considered standard in the food industry).

Given the nature of these contractual relationships, it is not possible for ECS to contractually guarantee consistency of sales volumes, price or terms going forward.

Further, there is a risk that these customer relationships may not be able to be maintained, or new relationships may not be formed on terms acceptable to the Company.

5.3.12 Reputation, trade marks and protection of intellectual property

ECS believes that reputation and brand recognition are important to its business and the effective protection of intellectual property rights is critical to its interest.

ECS depends on its reputation and the reputation of its third party suppliers – damage to the third party's reputation will effect ECS' reputation and therefore profitability and operations.

ECS cannot guarantee that there will not be any unauthorised use or misuse of its brands, given that the Company currently has applications pending to trademark its name and logo in Australia, and its name in China and South Korea. Any infringement may be detrimental to ECS' reputation and may lead to costly and time-consuming litigation or adversely affect ECS' financial performance.

To the extent that ECS relies upon its own intellectual property to conduct its business, it will need to protect its intellectual property. However, there may be circumstances where ECS' intellectual property and related licences cannot be protected or are subject to unauthorised disclosure, infringement or challenge by a third party.

If ECS does not protect its intellectual property or infringes a third party's intellectual property, it may have to cease using certain intellectual property or be liable for damages to that third party. This may also have an adverse impact on ECS' operations, financial performance and future prospects.

5.3.13 Key personnel and management risk

The Company's operational success will depend substantially on the continuing efforts of senior executives. The loss of services of one or more senior executives may have an adverse effect on the Company's operations. Furthermore, if the Company is unable to attract, train and retain key individuals and other highly skilled employees and consultants, its business may be adversely affected.

5.3.14 Technological and innovation risk

ECS Botanics will need to stay well informed with respect to technologies and products in relation to cultivation, manufacturing and supply of hemp food products. ECS' failure to employ the latest technologies to its processes and procedures will result in a downturn in its competitiveness and ultimately financial performance.

5.3.15 Risk of adverse future regulatory changes

The operations and proposed operations of ECS Botanics are subject to a variety of laws, regulations, and guidelines in its market, at federal and state levels including (but not limited to) product content requirements, labelling and packaging, regulations, environmental food standards and tax laws.

The introduction of new legislation or amendments to or changes to the practical effect of existing legislation by governments in relation to the legislation which governs ECS' business, could impact adversely on the assets, operations and the financial performance of ECS.

5.3.16 Requirement for additional funding and cost overruns

The funds to be raised under the Offer are considered sufficient to meet the current objectives of the Company. Despite management's effort to accurately estimate future costs, costs may exceed expected levels. If this occurs, additional funding may be required from time to time to finance its longer term objectives. The Company cannot give assurances that additional funding can be raised on favourable terms, if at all. ECS may never achieve profitability.

Additionally, the Company may discover further opportunities arise for capital expenditure, acquisitions or joint ventures. Should such events occur, the Company will look to raise additional funds via equity financing, debt financing or licensing arrangements. Failure to obtain sufficient funding may result in delay and indefinite postponement of the Companies activities. There can be no assurance that additional financing will be available when needed, on terms appropriate to the Company or that do not involve substantial dilution to Shareholders.

5.3.17 Insurance

ECS will endeavour to maintain insurance to mitigate the risks that the Company will face. However, ECS cannot insure against all risks, or guarantee that the level of insurance cover it obtains will be adequate, either because appropriate or necessary cover is not available or because Directors consider the required premiums to be excessive in relation to the benefits that would accrue.

If ECS incurs losses or liabilities for which it is uninsured, this may have a negative impact on the Company's financial performance and ability to operate its business.

5.3.18 Counterparty and credit risk

The business operations of ECS require the involvement of a number of third parties, including suppliers, contractors. Not being able to reach a binding agreement with a third party, financial failure, default, or contractual non-performance on the part of such third parties including failure to pay amounts due to ECS pursuant to its agreements, may have a material impact on the operations and performance of the Company.

See Section 7 for more information about ECS' material contracts.

5.3.19 Commodity price risk

ECS' business is subject to Australian and overseas hemp commodity prices. Prices of commodities (including agricultural commodities such as hemp) vary and are affected by a variety of local and global factors that are beyond the control of the Company.

These factors include (but are not limited to) local and global supply and demand, production costs, weather and environmental conditions, governing authority regulations and flux (such as local and global growing programs and policies, sanctions and barriers), and also local and global plant diseases. Commodity prices are also affected by general local and global economic conditions.

Adverse changes in commodity prices may have an adverse impact on ECS' operations and business.

5.3.20 Unforeseen risks

There may be other risks which Directors or management are unaware of at the time of issuing this Prospectus which may impact on ECS, its operations and/or the valuation and performance of ECS.

5.4 General risks

5.4.1 Equity market conditions

Securities listed on the stock market can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

General factors that may affect the market price of Shares include economic conditions in both Australia and internationally (particularly Australian, US and Chinese economic conditions), investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

5.4.2 Force majeure

Events completely out of the control of ECS have the potential to negatively impact the Company's operations including, for example, war, political unrest, riot, extreme weather conditions, strikes, explosion, terrorist activity and product sabotage.

5.4.3 Litigation risks

The Company is exposed to possible litigation risks including intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

5.4.4 Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

5.4.5 General economic and political risks

Changes in the general economic and political climate in Australia and on a global basis may impact on economic growth, such as, interest rates, the rate of inflation, taxation and tariff laws and domestic security, which may affect the value and viability of any activities that may be conducted by the Company.

5.4.6 Shareholders may be diluted

In the event that the Company elects in the future to issue shares or to raise further capital to fund investments or acquisitions, Shareholders may have their shareholding diluted as a result of such share issues or capital raising. Any capital raising or share issue must be conducted in accordance with the Listing Rules and the limits on the securities that a listed company may issue in any 12-month period.

5.4.7 Unforeseen expenditure risks

Expenditure may need to be incurred which has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, however if such expenditure is subsequently required or incurred, this may adversely impact budgeted expenditure proposals by the Company.

5.4.8 Corporate and business taxation

ECS is currently subject to a range of taxation obligations, potentially including income taxes (Australia federal, state and municipal income taxes), indirect taxes (Australian Goods and Services Tax), payroll taxes, superannuation and pension obligations, property taxes, and other taxes and levies.

There is potential for changes to any domestic tax laws. Any change to the current rates of taxes imposed on ECS is likely to affect returns to shareholders.

Any change in tax rules and tax arrangements or their implementation could have an adverse effect on the level of shareholder returns.

5.5 Speculative Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

6. Management and Corporate Governance

6.1 Directors

The proposed board of Directors of the Company (proposed at Completion of the Acquisition) are set out below:

6.1.1 Alex Keach – (Proposed Managing Director)

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

Alex has a diverse background with 14 years' experience working in financial markets as a senior manager, investor, adviser and fund manager. Alex has also acted as a corporate advisor, and managed the development and implementation of new strategies, governance and change management within an organisation. Alex has founded, grown and financed companies across agriculture, financial services and mining. Alex has practical skills in agriculture including many years' experience working on properties, including the cultivation of poppies, a narcotic raw material that is further processed to become an active pharmaceutical ingredient.

Alex is responsible for the overall corporate development and governance, supply management, capital and investor management and building industry relationships.

Previous ASX directorships include Sunvest Corporation Limited (ASX:SVS) and Lanka Graphite Limited (ASX:LGR).

6.1.2 David McCredie – (Proposed Non-Executive Chair)

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

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

6.1.3 Jeremy King (Non-Executive Director)

Jeremy is the founding director of Mirador Corporate, a boutique advisory and listed company compliance business. Jeremy is a corporate advisor with over 15 years' experience in domestic and international legal, financial and corporate matters. He spent several years in London where he worked with Allen & Overy LLP and Debevoise & Plimpton LLP and has extensive corporate 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. Jeremy regularly advises ASX listed companies on a range of corporate matters and currently serves on the Boards of Red Mountain Mining Ltd (ASX: RMX), Smart Parking Limited (ASX: SPZ), Transcendence Technologies

Limited (ASX: TTL), Tando Resources Limited (ASX: TNO), EHR Resources Limited (ASX: EHX) and Sultan Resources Ltd (ASX: SLZ).

6.1.4 Michael Nitsche (Non-Executive Director)

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.

6.2 Other Management and Key Personnel

6.2.1 Jason Hine (Chief Operations Officer) (incoming senior management)

Jason brings over 25 years' senior management experience driving growth, developing and improving business models, building operational excellence, identifying revenue opportunities and profitability across multiple and varied sectors globally.

Jason is skilled at creating high value relationships, identifying and capitalising on opportunities and innovating with technology. He has also been an active member of the Global Entrepreneurs Organisation and has developed a significant network of contacts across a range of industry segments globally. Jason brings a wealth of board and senior management experience developed within the hemp, medicinal cannabis, finance, franchising, manufacturing, distribution, and professional services sectors.

While Jason will be actively involved in all aspects of building the business including business development, distribution, corporate and product development, his initial focus will be to drive and build the business's operational capability across human resources, contract management and finance functions.

6.2.2 Guy Banducci (Head of Strategic Business Development) (incoming senior management)

Guy has over 22 years' experience working with clients to develop business strategies, design operating models, re-engineer and optimise business processes, and negotiate commercial arrangements with suppliers, customers and channel partners across various industries, including retail and fast moving consumer goods (FMCG) sectors.

Guy has a Bachelor of Commerce and Masters of Business Administration. Guy's experience includes leading business development and sales activities across the Asia Pacific region, and he brings with him significant experience and relationships in the retail and distribution sector.

Guy's particular focus is ECS' food products, covering brand and product development, distribution, and partnerships.

6.2.3 Mauro Piccini (Company Secretary)

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 Tando Resources Limited (ASX:TNO), Six Sigma Metals Ltd (ASX: SI6), Red Mountain Mining Ltd (ASX:RMX), Pure Minerals Limited (ASX:PM1) and Sultan Resources Ltd (ASX:SLZ). Mauro started his career in the Perth office of Ernst and Young where he spent several years in their assurance division, and is a Chartered Accountant and member of the Governance Institute of Australia.

6.3 Management and Consultants

The Company is aware of the need to have sufficient management to properly supervise its business and the Board will continually monitor the management roles in the Company. As the business and the Company, require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's business.

6.4 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below, and following the Acquisition and Recompliance, the Company's corporate governance policies will become available in a dedicated corporate governance information section of the Company's website (www.ecsbotanics.com.au).

6.5 Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

6.6 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

6.7 Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

6.8 Independent professional advice

Subject to the Chair's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

6.9 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

6.10 Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set pursuant to the Constitution at an amount not to exceed \$200,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having

consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

6.11 Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

6.12 Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its Directors, senior executives, employees and consultants. The policy generally provides that the written acknowledgement of the Chair (or in the Chair's absence, a Director) must be obtained prior to trading.

6.13 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

6.14 Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

6.15 Departures from Recommendations

Following readmission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

RECOMMENDATIONS	COMPLIANCE	EXPLANATION		
Principle 1: Lay solid foundations for management and oversight				
Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.	YES	The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter, which is part of the Company's Corporate Governance Plan, will be available on the Company's website following the Acquisition and Recompliance.		
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.	YES	 (a) The Company has guidelines for the appointment and selection of the Board in its Corporate Governance Plan. The Company's Nomination Committee Charter (in the Company's Corporate Governance Plan) requires the Nomination Committee (or, in its absence, the Board) to ensure appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director. (b) Under the Nomination Committee Charter, all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director. 		
Recommendation 1.3 A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	YES	The Company's Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. The Company has written agreements with each of its Directors and senior executives.		
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	YES	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.		
Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes	PARTIALLY	(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the		

RECOMMENDATIONS		COMPLIANCE	EXF	PLANATION		
(b) (c)	requirements of the comment of the c	irement mittee isurable der dive the iress in lose the lose as od: the lose achieve the B entity'	of the Board or a relevant of the Board to set to objectives for achieving the ersity and to assess annually objectives and the entity's achieving them; at policy or a summary or it; at the end of each reporting measurable objectives for ving gender diversity set by oard in accordance with the s diversity policy and its ess towards achieving them;	COMPLIANCE	(b) (c)	Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives if any have been set and the Company's progress in achieving them. The Diversity Policy will be available, as part of the Corporate Governance Plan, on the Company's website following the Acquisition and Recompliance. (i) The Board does not presently intend to set measurable gender diversity objectives because: - the Board does not anticipate there will be a need to appoint any new Directors or senior executives due to limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans; and - if it becomes necessary to appoint any new Directors or senior executives, the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit; and (ii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for
		endation		VEQ	(a)	these purposes) for each financial year will be disclosed in the Company's Annual Report. The Company's Nomination Committee (or, in its absence, the Board) is responsible for
(a)	have perio of t indivi discle perio	dically he Bo dual Di ose, in d, v	disclose a process for evaluating the performance pard, its committees and rectors; and relation to each reporting whether a performance was undertaken in the	YES		evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company's Corporate Governance Plan, which will be available on the Company's website following the Acquisition and Recompliance.
		ting pe	riod in accordance with that		(b)	The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance

RECOMMENDATIONS	COMPLIANCE	EXPLANATION
		evaluations in respect of the Board, its committees (if any) and individual Directors for the each financial year in accordance with the above process.
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company's senior executives on an annual basis. The Company's Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director.
		The applicable processes for these evaluations can be found in the Company's Corporate Governance Plan, which will be available on the Company's website following the Acquisition and Recompliance.
		(b) The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the senior executives (if any) for each financial year in accordance with the applicable processes.
		At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Company has not appointed any senior executives.
Principle 2: Structure the board to add value	•	
Recommendation 2.1 The Board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director,	YES	 (a) The Company does not have a Nomination Committee. The Company's Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. (b) The Company does not have a Nomination Committee as the Board considers the Company, will not currently benefit from its.
and disclose: (iii) the charter of the committee; (iv) the members of the committee; and		Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties
(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and		effectively: (i) devoting time at least annually to discuss Board succession issues and updating the Company's Board skills matrix; and

RECOMMENDATIONS	COMPLIANCE	EXPLANATION
knowledge of the entity to enable it to discharge its duties and responsibilities effectively.		(ii) all Board members being involved in the Company's nomination process to the maximum extent permitted under the Corporations Act and ASX Listing Rules.
Recommendation 2.2 A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	YES	Under the Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee (or, in its absence, the Board) is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.
		Given the current size and stage of development of the Company the Board has not yet established a formal board skills matrix. Gaps in the collective skills of the Board are regularly reviewed by the Board as a whole, with the Board proposing candidates for directorships having regard to the desired skills and experience required by the Company as well as the proposed candidates' diversity of background.
		The Board Charter requires the disclosure of each Board member's qualifications and expertise. Full details as to each Director and senior executive's relevant skills and experience will be available in the Company's Annual Report and on the Company's website following the Acquisition and Recompliance.
Recommendation 2.3		(a) The Board Charter requires the disclosure of
A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors;	YES	the names of Directors considered by the Board to be independent. The Company will disclose those Directors it considers to be independent in its Annual Report and on its ASX website.
(b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and		 (b) The Company will disclose in its Annual Report and ASX website any instances where this applies and an explanation of the Board's opinion why the relevant Director is still considered to be independent. (c) The Company's Annual Report will disclose the length of service of each Director, as at the end of each financial year.
(c) the length of service of each Director		
Recommendation 2.4		The Company's Board Charter requires that, where
A majority of the Board of a listed entity should be independent Directors.	YES	practical, the majority of the Board should be independent. The Board currently comprises a total of 3 directors, 2 of whom are considered to be independent. As such, independent directors are currently a majority of the Board.
Recommendation 2.5 The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	YES	The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director. The Chair of the Company is an independent

RECOMMENDATIONS	COMPLIANCE	EXPLANATION
		Director and is not the CEO/Managing Director.
Recommendation 2.6 A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.	YES	In accordance with the Company's Board Charter, the Nominations Committee (or, in its absence, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its Directors, senior executives and employees; and (b) disclose that code or a summary of it.	YES	 (a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees. (b) The Company's Corporate Code of Conduct (which forms part of the Company's Corporate Governance Plan) will be available on the Company's website following the Acquisition and Recompliance.
Principle 4: Safeguard integrity in corporate	e reporting	
Recommendation 4.1 The Board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and (ii) is chaired by an independent Director, who is not the Chair of the Board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	PARTIALLY	 (a) The Company does not have an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director who is not the Chair. (b) The Company does not have an Audit and Risk Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: (i) the Board devotes time at annual Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors; and (ii) all members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2 The Board of a listed entity should, before it approves the entity's financial statements for	YES	The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign

RECOMMENDATIONS	COMPLIANCE	EXPLANATION
a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.		off on these terms. The Company intends to obtain a sign off on these terms for each of its financial statements in each financial year.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Principle 5: Make timely and balanced discl	osure	
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	YES	(a) The Board Charter provides details of the Company's disclosure policy. In addition, the Corporate Governance Plan details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.
(b) disclose that policy or a summary of it.		(b) The Corporate Governance Plan, which incorporates the Board Charter, will be available on the Company website following the Acquisition and Recompliance.
Principle 6: Respect the rights of security h	olders	
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which will be on the Company's website following the Acquisition and Recompliance.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and will be available on the Company's website (following the Acquisition and Recompliance) as part of the Company's Corporate Governance Plan.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders queries should be referred to the

RECOMMENDATIONS	COMPLIANCE	EXPLANATION	
		Company Secretary at first instance.	
Principle 7: Recognise and manage risk			
Recommendation 7.1 The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the	YES	 (a) The Company does not have an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director. A copy of the Corporate Governance Plan will be available on the Company's website following the Acquisition and Recompliance. (b) The Company does not have an Audit and Risk Committee as the Board consider the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried 	
committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.		out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to oversee the entity's risk management framework. The Board devotes time at quarterly Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.	
Recommendation 7.2 The Board or a committee of the Board should: (a) review the entity's risk management framework with management at least	YES	(a) The Audit and Risk Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk management framework continues to be sound.	
annually to satisfy itself that it continues to be sound; and (b) disclose in relation to each reporting period, whether such a review has taken place.		(b) The Company's Corporate Governance Plan requires the Company to disclose at least annually whether such a review of the company's risk management framework has taken place.	
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it	PARTIALLY	(a) The Company does not have an internal audit function. The Audit and Risk Committee Charter provides for the Audit and Risk Committee to monitor the need for an internal audit function.	
performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.		(b) As set out in Recommendation 7.1, the Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems.	
		The Board devotes time at quarterly Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance	

RECOMMENDATIONS	COMPLIANCE	EXPLANATION
		and control procedures.
Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	The Audit and Risk Committee Charter requires the Audit and Risk Committee (or, in its absence, the Board) to assist management determine whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
		The Company's Corporate Governance Plan requires the Company to disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. The Company will disclose this information in its Annual Report and on its ASX website as part of its continuous disclosure obligations.
Principle 8: Remunerate fairly and responsi	bly	
Recommendation 8.1 The Board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	PARTIALLY	 (a) The Company does not have a Remuneration Committee. The Company's Corporate Governance Plan contains a Remuneration Committee Charter that provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom must be independent Directors, and which must be chaired by an independent Director. (b) The Company does not have a Remuneration Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive. The Board devotes time at the annual Board meeting to assess the level and composition of remuneration for Directors and senior executives.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives	YES	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which will be disclosed on the Company's website following the Acquisition and Recompliance.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives	N/A	The Company's Corporate Governance Plan requires the Remuneration Committee (or, in its absence, the Board) to review, manage and disclose the policy (if any) under which participants to a Plan may be permitted (at the discretion of the Company) to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic

RECOMMENDATIONS	COMPLIANCE	EXPLANATION
or otherwise) which limit the economic risk of participating in the scheme; and		risk of participating in the Plan.
		Upon issue of equity incentives, the Board will
(b) disclose that policy or a summary of it.		devote time at the annual Board meeting to assess the level and composition of remuneration for Directors and senior executives.

7. Material Contracts

Set out below is a summary of the contracts to which the Company is a party that may be material or otherwise may be relevant to a potential investor in the Company. The whole of the provisions of the contracts are not repeated in this Prospectus and below is summary of the material terms only.

7.1 Term Sheet – Acquisition of ECS

As announced on 15 February 2019, the Company has entered into a binding term sheet (**Term Sheet**) for the acquisition of 100% of the issued capital of agribusiness and hemp food company ECS Botanics Pty Ltd (**ECS**) (**Acquisition**). To effect the Acquisition, AYG will be required to comply with Chapters 1 and 2 of the Listing Rules (**Recompliance**).

Shareholder approval for the Acquisition and approval to conduct the Recompliance will be sought at the Company's General Meeting on 28 May 2019.

7.1.1 Consideration Payable for Acquisition

Subject to satisfaction of the Conditions to completion set out below, the Company will issue the following consideration securities at settlement and completion of the Acquisition (**Completion**) in exchange for the acquisition of 100% of the issued share capital of ECS:

- (a) 287,500,000 fully paid ordinary shares (Consideration Shares); and
- (b) 131,250,000 performance rights (on terms specified in Section 8.9) (**Performance Rights**), (where each Performance Right will convert into 1 fully paid ordinary Share upon achievement of each of the specified performance milestones),

(collectively, Consideration).

The Consideration will be issued to the Vendors on a pro-rata basis in accordance with each Vendor's holding in ECS.

Approval to issue the Consideration will be sought at the Company's General Meeting to be held on 28 May 2019.

7.1.2 Other Terms

Subject to satisfaction of the Conditions set out in Section 7.1.3 below, the parties have agreed to the following additional Acquisition and Recompliance terms and conditions under the Term Sheet:

- (a) AYG conducted the Rights Issue to cover AYG's interim working capital and costs of the Acquisition and Recompliance (the Rights Issue concluded in March 2019);
- (b) AYG will conduct the Public Offer;
- (c) AYG will appoint Alex Keach and David McCredie as directors of AYG;
- (d) AYG will issue a total of 20,375,000 unlisted options to AYG's existing Directors and Proposed Directors, exercisable at \$0.08 each, on or before the date which is 30 months from their date of issue (**Director Options**); and

(e) Xcel Capital and Sanlam Private Wealth will also be paid a facilitation fee of for their services in facilitating the Acquisition, to be split equally between Sanlam and Xcel Capital. The facilitation fee will be paid in shares, via the issue of 10 million AYG Shares at a deemed issue price of \$0.04 per share (being the Facilitation Shares).

7.1.3 Conditions to Completion

The Acquisition will complete and the Consideration described above will be issued subject to the following conditions (**Conditions**):

- (a) ECS receiving any necessary third party consents in respect of the change of control of its business as a result of the Acquisition;
- (b) AYG obtaining all regulatory and shareholder approvals required to implement the Acquisition, being the approvals sought at the Company's General Meeting including:
 - (i) an ASX waiver of Listing Rule 2.1, Condition 2 to permit AYG to conduct the Public Offer at \$0.04 per share;
 - (ii) Shareholder approval for the change of nature and scale of activities of AYG:
 - (iii) Shareholder approval for the appointment of David McCredie and Alex Keach to the board of AYG;
 - (iv) Shareholder approval for the issue of the Securities contemplated by the Term Sheet; and
 - Shareholder approval for AYG to change its company name to a name which reflects the Business and branding of ECS, being "ECS Botanics Holdings Ltd";
- (c) AYG preparing a prospectus and conducting the Public Offer (described above) to enable AYG to re-comply with Chapter 1 and 2 of the ASX Listing Rules and be reinstated to quotation on the ASX, as well as lodging the prospectus with ASIC;
- (d) AYG receiving sufficient applications to meet the Minimum Subscription under the prospectus; and
- (e) AYG receiving conditional re-admission approval from ASX, on conditions which are reasonably acceptable to AYG.

The Term Sheet otherwise contains terms and conditions (including warranties, representations and indemnities) considered standard for an agreement of this nature.

7.2 Executive Service Agreement: Proposed Managing Director

The Company has entered into an executive services agreement for the services to be provided by its proposed Managing Director, Alex Keach (subject to Shareholder approval for the appointment of Alex at the Company's General Meeting).

The material terms of the agreement are as follows:

- (a) Alex's appointment and commencement of the agreement is subject to and conditional upon:
 - (i) Shareholders voting to approve the appointment of Alex at the Company's upcoming General Meeting;
 - (ii) settlement of the Acquisition under the Term Sheet; and
 - (iii) the Company successfully conducting the Recompliance;
- (b) once commenced, the agreement will continue until it is terminated by either party with 3 months' notice in writing (or payment by the Company of 3 months fee in lieu of notice);
- (c) the Company will pay Alex \$195,000 per annum inclusive of statutory superannuation, plus reimbursements for reasonable out of pocket expenses;
- (d) Alex will be engaged as an employee on a full time basis, and as a director of the Company (subject to the Corporations Act, the Company's Constitution and the ASX Listing Rules);
- (e) Alex's duties under the agreement include:
 - (i) driving operational development and performance;
 - (ii) assisting in the achievement of corporate goals and objectives;
 - (iii) development of short, medium and long term corporate strategies and planning to achieve the Company's vision and overall business objectives;
 - (iv) assessment of business opportunities of potential benefit to the Company;
 - (v) assist in proposals for major capital expenditure to ensure their alignment with corporation strategy and justification on economic grounds;
 - (vi) sustain competitive advantage through maximising available resources, encouraging staff commitment and strategically aligning the corporate culture with the organisation's goals and objectives;
 - (vii) undertake a role of company spokesperson;
 - (viii) ensure statutory, legal and regulatory compliance and comply with corporate policies and standards; and
 - (ix) ensure appropriate risk management practices and policies are in place:
- (f) Alex may no longer be a director or employee of the Company if, amongst other things, he becomes bankrupt, is removed from office, is not re-elected to office or is prohibited from being a director by reason of any order made under the Corporations Act; and
- (g) Alex must keep the Company's confidential information confidential.

The agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

7.3 Executive Service Agreement: Incoming Chief Operations Officer

The Company has entered into an executive services agreement for the services to be provided by its proposed executive Chief Operations Officer, Jason Hine. The material terms of the agreement are as follows:

- (a) Jason's appointment and commencement of the agreement is subject to and conditional upon:
 - (i) settlement of the Acquisition under the Term Sheet; and
 - (ii) the Company successfully conducting the Recompliance;
- (b) once commenced, the agreement will continue until it is terminated by either party with 3 months' notice in writing (or payment by the Company of 3 months fee in lieu of notice):
- (c) the Company will pay Jason \$180,000 per annum inclusive of statutory superannuation, plus reimbursements for reasonable out of pocket expenses;
- (d) Jason will be employed by the Company on a full time basis and his duties under the agreement include:
 - (i) assist in the achievement of corporate goals and objectives;
 - (ii) assist in the preparation of business plans and reports for the Company with the senior management and the Managing Director;
 - (iii) implementing and monitoring strategy and reporting/presenting to the Managing Director on current and future initiatives; and
 - (iv) working with the Managing Director to ensure statutory, legal and regulatory compliance and comply with corporate policies and standards; and
- (e) Jason must keep the Company's confidential information confidential.

The agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

7.4 Executive Service Agreement: Incoming Head of Strategic Business Development

The Company has entered into an executive services agreement for the services to be provided by its proposed executive Head of Strategic Business Development, Guy Banducci. The material terms of the agreement are as follows:

- (a) Guy's appointment and commencement of the agreement is subject to and conditional upon:
 - (i) settlement of the Acquisition under the Term Sheet; and
 - (ii) the Company successful conducting the Recompliance;
- (b) once commenced, the agreement will continue until it is terminated by the Company with 3 months' notice in writing (or payment by the Company of 3 months fee in lieu of notice), or by Guy with 3 months notice in writing;

- (c) the Company will pay Guy \$100,000 per annum inclusive of statutory superannuation, plus reimbursements for reasonable out of pocket expenses;
- (d) Guy will be employed by the Company on a part time basis and his duties under the agreement include:
 - (i) assist in the achievement of corporate goals and objectives;
 - (ii) preparation of business plans and reports for the Company with the senior management and the Managing Director;
 - (iii) implement and monitor strategy and report/present to the Managing Director on current and future initiatives;
 - (iv) establish and maintain effective and positive relationships with Board members, employees, shareholders, customers, suppliers and other government and business liaisons;
 - (v) recommend policies to the Board in relation to a range of management and operational issues;
 - (vi) assist the Company in developing improved methods of delivering its services to customers of the Company's business; and
 - (vii) assist the Company in the promotion, marketing and sales of the services and products provided as part of the Company's business; and
- (e) Guy must keep the Company's confidential information confidential.

The agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

7.5 Letter of Appointment: Proposed Non-Executive Chair

The Company has entered into a letter agreement with David McCredie for his proposed appointment as a non-executive Director and chairman of the Company (subject to Shareholder approval for the appointment of David at the Company's General Meeting).

The material terms of the agreement are as follows:

- (a) David's appointment and commencement of the agreement is subject to and conditional upon:
 - (i) Shareholders voting to approve the appointment of David at the Company's upcoming General Meeting;
 - (ii) settlement of the Acquisition under the Term Sheet; and
 - (iii) the Company successful conducting the Recompliance;
- (b) once commenced, the agreement will continue until such time that David is not reelected, or until his appointment otherwise ceases in accordance with the Constitution;
- (c) the Company will pay David an annual director's fee of \$36,000, plus reimbursement of reasonable out of pocket expenses;
- (d) David's duties under the agreement include:

- (i) ensuring the Company is effectively controlled and governed;
- (ii) ensuring the Company's corporate governance policies are current and effective;
- (iii) attending board and committee meetings; and
- (iv) always acting in the best interests of the Company;
- (e) David is obliged to keep the Company's confidential information confidential and to disclose any interests and matters which affect his independence or give rise to a conflict of personal interests and duties as non-executive director; and
- (f) David is to be insured under the Company's directors' and officers' liability insurance policy.

The agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

7.6 Letters of Appointment: Existing Non-Executive Directors

The Company has entered into letter agreements with Jeremy King and Michael Nitsche for their existing appointment as non-executive Directors of the Company.

The material terms of the agreements are as follows:

- (a) Jeremy and Michael's appointment under their agreements will continue until such time that they are not re-elected, or until their appointment otherwise ceases in accordance with the Constitution;
- (b) Jeremy and Michael will each receive an annual director's fee of \$36,000, plus reimbursement of reasonable out of pocket expenses;
- (c) Jeremy and Michael's duties under their agreements include:
 - (i) ensuring the Company is effectively controlled and governed;
 - (ii) ensuring the Company's corporate governance policies remain current and effective;
 - (iii) attending board and committee meetings; and
 - (iv) always acting in the best interests of the Company;
- (d) Jeremy and Michael are obliged to keep the Company's confidential information confidential and to disclose any interests and matters which affect their independence or give rise to a conflict of personal interests and duties as non-executive director; and
- (e) Jeremy and Michael are to be insured under the Company's directors' and officers' liability insurance policy.

The agreements otherwise contain terms and conditions considered standard for agreements of this nature.

7.7 Directors' deeds of indemnity, insurance and access

The Company has entered into deeds of indemnity, insurance and access with each of the existing Directors and Proposed Directors.

The material terms of the deeds with each Director and Proposed Director are as follows:

- (a) the Company agrees to indemnify each Director and Proposed Director against all liabilities incurred as an officer of the Company (unless the liability arises out of conduct involving lack of good faith by the Director or Proposed Director);
- (b) the indemnity of the existing Directors and Proposed Directors continues notwithstanding that the director has ceased to be a director of the Company;
- (c) to obtain the indemnities, the existing Directors and Proposed Directors must (amongst other things):
 - (i) give notice to the Company promptly upon becoming aware of any relevant claim against the Company; and
 - (ii) not make any admission of facts or liability in respect of a potential claim without the Company's written consent;
- (d) the Company will indemnify the existing Directors and Proposed Directors for legal costs and will, on request, lend to the director an amount for the legal fees;
- (e) the Company must allow the existing Directors and Proposed Directors to inspect and copy a document in the possession of the Company for the purpose of a claim in which the Director is involved; and
- (f) the Company must use its best commercial endeavours to maintain a directors and officers' policy of insurance on terms considered reasonable by the Company.

The deeds otherwise contain terms and conditions considered standard for deeds of this nature.

7.8 Mandate for Company Secretarial Services

The Company has entered into a letter mandate with Mirador Corporate Pty Ltd (**Mirador**) in respect of Mauro Piccini's appointment as company secretary, and for the provision of company secretarial services by Mirador. Mirador is a company associated with Jeremy King, a current Director of the Company.

The material terms of the mandate are as follows:

- (a) the services to be provided by Mirador include:
 - (i) ensuring company compliance with its Constitution, and report to ASX;
 - (ii) assist with the implementation and development of Corporate Governance policies and preparation and lodgement of Appendix 4G;
 - (iii) prepare and file ASIC returns and other documents required to be lodged with ASIC:
 - (iv) co-ordinating, organising and attending board and shareholder meetings; and

- (v) preparation, review and lodgement of announcements pursuant to ASX Listing Rules;
- (b) Mirador is to be paid a one off fee of \$20,000 (excluding GST) upon completion of the Company's Recompliance in respect of services provided by Mirador relating to the Recompliance and Acquisition. Subsequently, Mirador will be paid a monthly retainer of \$2,500 (excluding GST), plus reimbursement of reasonable expenses. Additional on-off fees may be paid if Mirador assists with any corporate actions of the Company; and
- (c) the mandate continues until one party gives 60 days notice to the other of its termination.

The mandate otherwise contains provisions considered standard for an agreement of this type.

7.9 Joint Lead Manager Mandate

The Company has entered into a mandate (**Joint Lead Manager Mandate**) with Xcel Capital Pty Ltd (**Xcel Capital**) and Sanlam Private Wealth Pty Ltd (**Sanlam Private Wealth**) to act as joint lead managers to the Public Offer (**Joint Lead Managers**).

The material terms of the Joint Lead Manager Mandate are as follows:

- (a) the Company has engaged Xcel Capital and Sanlam Private Wealth as joint lead managers to the Public Offer, in this respect, the Joint Lead Managers will provide offer management services to the Company including, investor management, capital raising services and corporate advice;
- (b) the Company has also engaged the Joint Lead Manager's as corporate advisors for a minimum period of 12 months from the date of the Company's successful re-listing on ASX;
- in consideration for their services, the Joint Lead Managers will receive the following fees, which are to be shared equally between each Joint Lead Manager:
 - (i) a selling fee of 6% (plus GST if applicable) of the gross proceeds raised under the Public Offer, and the Joint Lead Managers may, at their discretion, elect to pass on a portion of the selling fee to any external brokers;
 - (ii) a success fee of \$60,000 (plus GST if applicable) following the successful Recompliance of the Company;
 - (iii) a market awareness retainer of \$10,000 per month (plus GST) for ongoing corporate advisory services commencing on the date of listing to be shared equally between the Joint Lead Managers for a minimum of 12 months (being a total corporate advisory fee of \$120,000 over the 12 month period, which is a monthly fee of \$5,000 (plus GST) paid to each Joint Lead Manager); and
 - (iv) reimbursement of out of pocket expenses and costs properly incurred by the Joint Lead Managers in relation to their Joint Lead Manager services.
- (d) the Joint Lead Managers may terminate the Joint Lead Manager Mandate if the Company breaches the Joint Lead Manager Mandate and does not remedy the breach within 14 days of written notice of the breach by the Joint Lead Managers to the Company, or in the event of gross negligence, wilful misconduct, or fraud;

- (e) the Company may terminate the Joint Lead Manager Mandate by giving notice to the Joint Lead Managers that the Company considers that the Joint Lead Managers are unable or unwilling to perform the services under the Joint Lead Manager Mandate fully and properly and giving the Joint Lead Managers 14 days to rectify the issued specified by the Company;
- (f) the Company grants the Joint Lead Managers a right of first refusal to act as the joint lead managers in any further equity capital raisings undertaken in connection with the Company within 24 months of the Company's successful re-listing on ASX;

As set out in Section 7.1.2(e) above, the Joint Lead Managers will also receive the Facilitation Shares for facilitating the Acquisition (to be shared equally between the Joint Lead Managers).

The Joint Lead Manager Mandate otherwise contains terms and conditions (including representations, warranties and indemnities) considered standard for a document of this nature.

7.10 ECS Key Operational Contracts

7.10.1 Sydney Office Sub-Letting Arrangement

The Australian-British Chamber of Commerce, an entity associated with Proposed Director David McCredie has sublet office space to ECS for ECS' Sydney office at standard commercial rates on a monthly basis.

7.10.2 ECS Tasmanian Farm Lease with Call Option to Purchase

- (a) ECS (as tenant) has entered into a lease for its hemp farm located in Cressy, Tasmania (south of Launceston) known as the "Coy Farm" with Keach & Co. Pty Ltd (as landlord) (**Keach & Co**), with the Proposed Directors Alex Keach and David McCredie acting as guarantors to the lease in their personal capacity (**Tasmanian Farm Lease**). The material terms of the Tasmanian Farm Lease are as follows:
 - (i) The landlord, Keach & Co, is an entity associated with Proposed Director Alex Keach.
 - (ii) The term of the Tasmanian Farm Lease is 3 years from September 2018 at a rental rate of \$52,000 per annum (excluding GST), plus a 3 year option to extend (subject to CPI rent review).
 - (iii) Proposed Directors Alex Keach and David McCredie have guaranteed the obligations of ECS under the Tasmanian Farm Lease.
 - (iv) ECS has obligations under the Tasmanian Farm Lease including the requirements to maintain the property in good standing, cultivate the farm in a proper and skillful manner in accordance with approved methods under relevant laws and maintain adequate insurances.
 - (v) In the event of any default or breach by ECS under the Tasmanian Farm Lease, the landlord may terminate the Tasmanian Farm Lease by 14 days written notice.
- (b) ECS has also entered into a call option agreement with Keach & Co for the option to purchase the Coy Farm from Keach & Co (Call Option). The material terms of the Call Option are as follows:

- (i) Pursuant to the Call Option, ECS may elect to purchase the Coy Farm at any time during the 24 month period from commencement of the Lease (September 2018).
- (ii) The purchase price for the Coy Farm will be the greater of:
 - (A) the market value (as determined by an independent valuer to be appointed by the parties); and
 - (B) Keach & Co's land acquisition costs, costs of any improvements to the property, plus 10% if the Call Option is exercised within the first 12 months, or 8% if the Call Option is exercised after the first 12 months.
- (iii) In the event of any default under the Call Option, either party may terminate the Call Option by 28 days written notice.

The Lease and Call Option otherwise contain terms (including representations, warranties and indemnities) considered standard for agreements of this nature.

Alex Keach is the founder of ECS and Keach & Co is a Vendor (being a shareholder of ECS). Refer to Sections 1.14 and 1.15 above for further details.

7.10.3 ECS Agreement for Cropping Services

ECS has entered into a service agreement with Macquarie Cropping Services Pty Ltd (MCS) under which MCS will facilitate growing and seed supply services, agronomic guidance services and cropping services to ECS in Tasmania for a period of 5 years. No set fees are agreed under the service agreement, however ECS anticipates fees will be agreed with MCS and paid to MCS for their services on standard industry rates.

MCS is a Vendor (being a shareholder of ECS). Refer to Section 1.15.8 above for further details.

7.11 ECS Supply Chain Arrangements for Hemp Products

As a result of ECS' Seed to Sale Approach, ECS has arranged various binding and non-binding arrangements and relationships with third parties in Australia along its supply chain for the purpose of streamlining the production of its hemp food products, in order to maximise benefits to the business.

This Seed to Sale Approach is important to reduce risks along the supply chain and to keep ECS' team at the pioneering front of hemp industry knowledge.

Accordingly, a substantial proportion of ECS' business (and potential revenue) will be derived from non-binding or uncontracted customer relationships, with supply chain matters and sales made under ECS' and third parties' standard terms and conditions (as is considered standard in the Australian industry).

Some of ECS' supply chain arrangements are binding in respect of specific elements of the supply chain, while the majority of ECS' supply chain arrangements are non-binding and informal, and do not bind ECS or the third parties to any specific prices, quantities, or minimum volumes.

As a result of the non-binding nature of a number of ECS' supply chain arrangements, investors should consider the risk factors section in Section 5 of the Prospectus, particularly the risks that relate to ECS' supply chain set out in Section 5.3.9.

ECS considers its supply chain details to be confidential and commercially sensitive. However, a summary of ECS' supply chain arrangements is set out below.

In addition to the arrangements described below, as ECS' business progresses, it may seek to enter into other general business arrangements, or additional supply chain arrangements (as and when necessary to grow ECS' business).

7.11.1 Leasing and storage arrangements

ECS is party to leasing arrangements (as tenant) for the cultivation of hemp, and grain storage arrangements for harvested hemp seed. ECS' material leasing arrangements include the binding Tasmanian Farm Lease and Call Option referred to in Section 7.10.2 above, together with a binding short form farm lease for ECS' hemp crop in Queensland. ECS also owns two 35T silos located on a third party Tasmanian company's property. ECS has a binding agreement with this third party whereby ECS is granted access to ECS' silos. As set out in Section 4.6, ECS' growth strategy includes increasing its volumes. In order to do so, ECS may seek to enter into further short term leases.

7.11.2 Growing and cropping Arrangements

ECS has entered into a variety of arrangements with third party service providers, whereby the third parties will provide growing, cropping and other agronomic services to ECS in respect of ECS' industrial hemp business in Tasmania and Queensland. As set out in Section 1.15.8 and 7.10.3 above, a material arrangement of this nature is ECS' binding agreement with MCS for MCS' services in Tasmania. ECS also has non-binding letters of intent with various other third party farmers for their potential engagement by ECS as contract growers for ECS, whereby ECS will pay the third party farmers a fee based on the overall yield/volume produced by the farmers.

7.11.3 Manufacturing and processing arrangements

ECS is party to a number of arrangements with third party service providers in respect of the processing of ECS' hemp seed, and the manufacturing of ECS' wholesale and retail hemp food products. These third parties assist ECS with the processing of its hemp seed by providing services such as dehulling hemp seeds into consumable hemp hearts, cold pressing hemp seed into hemp oil, milling hemp seed into hemp flour and protein powder, and manufacturing, packaging and labelling ECS' wholesale and retail food products ready for sale. A material manufacturing arrangement is ECS' non-binding arrangement with Flavour Makers, a leading food development and manufacturing company which has assisted ECS in developing ECS' suite of retail food products.

7.11.4 Supplier arrangements

ECS has engaged a third party hemp seed supplier (pursuant to a binding supply contract) for the supply of hemp seed which is additional to and will supplement the hemp seed grown by ECS. This additional hemp seed is expected to be shipped to ECS in the third quarter of 2019, for planting in the final quarter of 2019. ECS will use this supplementary hemp seed (and, if and when appropriate seek to enter into further supply agreements with other third parties) to increase the business' capacity in anticipation of higher hemp food demand in the near future. ECS has also engaged a consultant to provide consultancy, testings and supply chain services as and when required.

7.11.5 Sales (distribution, stocking and ranging of ECS products)

- (a) ECS has entered into binding and non-binding arrangements in respect of:
 - (i) the distribution of ECS' wholesale products (bulk hemp products); and
 - (ii) the distribution, stocking and ranging of ECS' retail products (individual ready to consume food products).
- (b) As is considered standard in the Australian food industry, these arrangements generally:
 - (i) do not guarantee (or restrict) ECS or the third party in respect of minimum prices or volumes;
 - (ii) are non-exclusive (i.e. the third party distributor is allowed to distribute similar products from other hemp food suppliers);
 - (iii) are not binding and/or may be terminated by the third party; and
 - (iv) are subject to the third parties' standard terms and conditions of sale and distribution (which often include warranties and indemnities in favour of the third party in respect of ECS being required to maintain appropriate insurances, and in respect of product liability, defective products and product recalls).

7.11.6 Consultancy agreement – medicinal cannabis

ECS has engaged a third party consultant to provide consulting services for a flat fee in respect of the application for, and progressive services until grant of, ECS' medicinal cannabis licences. As at the date of this Prospectus, ECS' has applied for the medicinal cannabis licences and the date of grant is unknown. The third party consultant will continue to provide consultancy services to ECS on an ad-hoc basis (as and when required) until grant of the licences. If and when necessary, ECS may also seek to engage other third party consultants to assist with its business requirements.

8. Additional Information

8.1 Continuous Disclosure

The Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. Copies of announcements made by the Company to ASX may be obtained from www.asx.com.au.

The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations.

Those obligations include being required to notify ASX immediately of any information concerning the Company of which it is, or becomes, aware of and which a reasonable person would expect to have a material effect on the price or value of the Company's Securities. Exceptions apply for certain information which does not have to be disclosed.

Other documents that are required to be lodged include:

- (a) quarterly activities and cash-flow reports, to be provided to ASX within a specified time after the end of each quarter;
- (b) half yearly reports and preliminary financial statements, to be provided to ASX within a specified time after the end of each half and full year accounting period respectively; and
- (c) financial statements, to be lodged with ASX within a specified time after the end of each accounting period.

8.2 Privacy Disclosure

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in the Corporate Director of this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

8.3 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened

against the Company, the outcome of which will have a material adverse effect on the business or financial position of the Company.

8.4 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid (in cash or Securities or otherwise) and no benefits have been given or agreed to be given to any Director:

- (d) to induce him to become, or to qualify him as, a Director; or
- (e) for services rendered by him in connection with the formation or promotion of the Company or the Offers.

The interests of the Directors and Proposed Directors in the Securities of the Company as at the date of this Prospectus and their proposed participation in the Offers are set out in Section 1.14.

8.5 ASX waiver applications and ASX authorisations

In respect of the Company's pending Recompliance with Chapters 1 and 2 of the Listing Rules as a result of its Acquisition of ECS, the Company has been granted the following waivers from, and confirmations in respect of, the ASX Listing Rules:

- (a) a waiver of Listing Rule 2.1, Condition 2, to waive the "20c rule" in respect of the Public Offer Shares, Consideration Shares and Facilitation Shares;
- (b) a waiver of Listing Rule 1.1, Condition 12, to waive the "20c rule" in respect of the Director Options and Performance Rights;
- (c) a waiver of Listing Rule 10.13.3, being an Application for ASX to waive the one month timeframe to issue Public Offer Shares, Consideration Shares, Performance Rights and Director Options; and
- (d) approval in respect of Listing Rule 6.1, being an application for ASX's approval of the proposed terms and conditions of Performance Rights.

8.6 Expenses of the Offers

The estimated total expenses of the Offers payable by the Company (exclusive of any applicable GST) are set out in the table below:

Item of expenditure	Minimum Subscription (\$)	Maximum Subscription (\$)
ASIC fees	3,206	3,206
ASX fees	84,275	86,427
Legal Fees	100,000	100,000
Investigating Accountant's Fees	18,000	18,000
Legal Report Fees	15,000	15,000
Printing, Registry and Other Miscellaneous Expenses	20,000	20,000
Mirador Corporate Prospectus Service Fee	20,000	20,000
TOTAL	260,481	262,633

In addition to the above, the Joint Lead Managers will also receive fees in relation to the Public Offer pursuant to the Joint Lead Manager Mandate as set out in Section 1.5 and further described in Section 7.9.

8.7 Interests and Consents of Promoters, Experts and Advisors

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or has held within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, for services rendered by that person in connection with the formation or promotion of the Company or the Offers.

Each of the parties referred to in this Section:

- (a) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below;
- (b) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that party; and
- (c) has given and has not, before the date of lodgement of this Prospectus, with ASIC, withdrawn its written consent;
- (d) to be named in this Prospectus in the form and context which it is named; and
- (e) to the inclusion in this Prospectus of the statement(s) and/or report(s) (if any) by that person in the form and context in which it appears in this Prospectus.

BDO Corporate Finance (WA) Pty Ltd (**BDO Corporate**) has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Annexure A of this Prospectus. The Company estimates it will pay BDO Corporate approximately \$18,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, BDO Corporate has not received fees from the Company for any other services. BDO Corporate has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Annexure A of this Prospectus in the form and context in which the information and report is included. BDO Corporate has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Nova Legal has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay Nova Legal approximately \$100,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, Nova Legal has received approximately \$18,201(excluding GST) from the Company in respect of general legal services. Nova Legal has given its written consent to being named as the solicitors to the Company in this Prospectus. Nova Legal has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Colin Biggers & Paisley Lawyers has been engaged by the Company for the purpose of providing the Legal Report which is included as Annexure B of this Prospectus. The Company estimates it will pay Colin Biggers & Paisley Lawyers approximately \$15,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Colin Biggers & Paisley Lawyers has not received fees from the Company for any other services. Colin Biggers & Paisley Lawyers has given their written consent to being named in this Prospectus and to the inclusion of the Legal Report in Annexure B of this Prospectus in the form and context in which the information and report is included. Colin Biggers & Paisley Lawyers has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Sanlam Private Wealth has acted has Joint Lead Manager to the Public Offer. Sanlam Private Wealth has provided corporate advisory and joint lead manager services to the Company under the Mandate described in Section 7.9. During the 24 months preceding lodgement of this Prospectus with ASIC, Sanlam Private Wealth has not received fees from the Company for any other services. Sanlam Private Wealth has given, and has not withdrawn its consent to being named as Joint Lead Manager to the Company in this Prospectus.

Xcel Capital has acted has Joint Lead Manager to the Public Offer. Xcel Capital has provided corporate advisory and joint lead manager services to the Company under the Mandate described in Section 7.9. During the 24 months preceding lodgement of this Prospectus with ASIC, Xcel Capital has not received fees from the Company for any other services. Xcel has given, and has not withdrawn its consent to being named as Joint Lead Manager to the Company in this Prospectus.

Computershare Investor Services Pty Limited (**Computershare**) has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and are paid for these services on standard industry terms and conditions. References to Computershare appear for information purposes only. Computershare have not been involved in, authorised or caused the issue of this Prospectus.

BDO Audit (WA) Pty Ltd (**BDO Audit**) has given its written consent to being named as the Company's Auditor in this Prospectus in the form and context in which it is included and to the inclusion of the Company's audited financial statements and to statements by BDO Audit in its capacity as the auditor in relation to those audited financial statements.

References to BDO Audit appear for information purposes only. BDO Audit have not been involved in, authorised or caused the issue of this Prospectus.

8.8 Rights and Restrictions Attaching to Shares

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

The Public Offer Shares and Consideration Shares offered under this Prospectus will rank equally with the existing Shares.

- (a) At the date of this Prospectus, all Shares on issue are of the same class and rank equally in all respects.
- (b) Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.
- (c) Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.
- (d) The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares of the affected class, or with the sanction of a special resolution passed at a meeting of the holders of the Shares of the affected class.
- (e) Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Company has a lien on those Shares.
- (f) Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.
- (g) If the Company is wound up, the liquidator may, with the sanction of a special resolution:
 - (i) divide among the Shareholders the whole or any part of the Company's property; and
 - (ii) decide how the division is to be carried out between the Shareholders.
- (h) Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them and in proportion to the amounts paid or credited as paid.

8.9 Terms and Conditions of Performance Rights

8.9.1 General

The Performance Rights will be issued to the Vendors on a pro-rata basis in conjunction with their previous shareholding in ECS, as a long term incentive to successfully commercialise ECS' business. Performance Milestones, terms and conditions of the Performance Rights are described in this Section 8.9.

However, the Parties acknowledge and agree that the terms and conditions of the Performance Rights are subject to ASX approval under Listing Rule 6.1. The Company otherwise anticipates issuing the Performance Rights on terms which are not inconsistent with ASX's minimum requirements of Guidance Note 19.

Subject to the terms and conditions below, each (1) Performance Right is convertible into one (1) fully paid ordinary share in the capital of the Company, upon the below milestones being achieved collectively (**Vesting Conditions**):

Milestone	Expiry Date	Number
Milestone A: ECS achieving annual revenue* in any financial year of \$1 million within 2 years of the Company's readmission	3 months from the end of the financial year which is within 2 years of the Company's readmission	43,750,000
Milestone B: ECS achieving annual revenue* in any financial year of \$2.5 million within 3 years of the Company's readmission	3 months from the end of the financial year which is within 3 years of the Company's readmission	43,750,000
Milestone C: ECS achieving annual revenue* in any financial year of \$10 million within 4 years of the Company's readmission	3 months from the end of the financial year which is within 4 years of the Company's readmission	43,750,000
	TOTAL	131,250,000

^{*} Where "annual revenue" means revenue derived from ECS and its assets, as acquired by AYG at the time of reinstatement, as described in this Prospectus.

8.9.2 Terms

- (a) The Performance Rights will lapse at 5.00pm WST on the respective expiry date for each of Milestone 1, 2 and 3 (**Expiry Date**).
- (b) The Performance Rights will be granted for nil consideration, as their primary purpose is to provide a performance and retention linked incentive component of the Vendors (**Holders**).
- (c) The Company has applied for and received ASX for approval of the terms of the Performance Rights under Listing Rule 6.1.
- (d) The Performance Rights will not convert to Shares until AYG has obtained all necessary prior shareholder and regulatory approvals for their vesting (including but not limited to shareholder approval under section 611(7) of the Corporations Act) and until such time as the relevant Vesting Conditions referred to above have collectively been satisfied.

- (e) The Board may, at its discretion, and by notice to the Holders, adjust or vary the terms of a Performance Right, subject to the requirements of the Listing Rules. No adjustment or variation to these terms will be made without the prior written consent of each Holder, if such adjustment or variation would have a materially prejudicial effect upon that Holder (in respect of their outstanding Performance Rights).
- (f) The Performance Rights are otherwise subject to the following standard terms and conditions:
 - (i) (**No Voting Rights**) The Performance Rights do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
 - (ii) (**No Dividend Rights**) The Performance Rights do not entitle the Holder to any dividends.
 - (iii) (**Rights on Winding Up**) The Performance Rights do not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up of the Company.
 - (iv) (Not Transferable) The Performance Rights are not transferable.
 - (v) (Not Quoted) The Performance Rights will not be quoted on ASX. However, upon conversion of the Performance Rights into Shares, the Company must, within seven (7) days after the conversion, apply for the Official Quotation of the Shares arising from the conversion on ASX.
 - (vi) (Participation in Entitlements and Bonus Issues) Holders of Performance Rights will not be entitled to participate in new issues of securities offered to holders of Shares such as bonus issues and entitlement issues, unless and until the Holder is entitled to convert the Performance Rights, and does so before the record date for the determination of entitlements to the new issue of securities and participates as a result of being a holder of Shares.
 - (vii) (No Other Rights) The Performance Rights give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

8.9.3 Conversion of Performance Rights

- (a) A certificate or holding statement will be issued to each Holder for their respective Performance Rights.
- (b) Subject to and conditional upon AYG obtaining all necessary prior shareholder and regulatory approvals for their vesting (including but not limited to shareholder approval under section 611(7) of the Corporations Act), Holders may only convert their Performance Rights by delivering to AYG's Company Secretary, in the period between the relevant Vesting Condition being satisfied and the relevant Expiry Date:
 - (i) the certificate or holding statement for the Performance Rights or, if either or both have been lost or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any

- loss, costs or expenses which might be incurred by the Company by relying on the declaration; and
- (ii) a notice signed by the Holder stating the Holder wishes to convert the Performance Rights and specifying the number of Performance Rights which are converted.
- (c) Vested Performance Rights may be converted in one or more parcels of any size. A conversion of only some Performance Rights shall not affect the rights of the Holder to the balance of the Performance Rights held by the Holder.
- (d) The Company shall issue to the Shares to the Holder, and deliver holding statements following conversion within 10 Business Days of receipt of the notice described in clause 8.9.3(b)(ii).
- (e) Shares issued following conversion of a Performance Right shall rank, from the date of issue, equally with existing Shares of the Company in all respects.

8.9.4 Lapse of Performance Rights

- (a) Subject to clauses 8.9.3(b) and 8.9.3(c), every Performance Right will lapse immediately and all rights attaching to the Performance Rights will be lost:
 - (i) if the Holder ceases to be an employee or Director of, or to render services to, a member of the Group for any reason whatsoever (including without limitation resignation or termination for cause) and the relevant Vesting Condition has not been satisfied; or
 - (ii) the Vesting Conditions are unable to be satisfied; or
 - (iii) the Expiry Date has passed,

whichever is earlier.

- (b) If the Expiry Date of a Performance Right falls outside any applicable trading window, then the Expiry Date of such Performance Right shall be extended to the close of business on the 10th Business Day during the next applicable trading window.
- (c) If the Holder dies, becomes permanently disabled, resigns employment on the basis of retirement from the workforce or is made redundant by the relevant member of the Group, prior to the Expiry Date of any Performance Rights granted to the Holder (**Ceasing Event**) the following provisions apply:
 - (i) the Holder or the Holder's personal legal representative, where relevant, may convert those Performance Rights which at that date:
 - (A) have become convertible;
 - (B) have not already been converted; and
 - (C) have not lapsed,

in accordance with clause 8.9.4(c)(iii);

- (ii) at the absolute discretion of the Board, the Board may resolve that the Holder, or the Holder's personal legal representative, where relevant, may convert those Performance Rights which at that date:
 - (A) have not become convertible; and
 - (B) have not lapsed,

in accordance with clause 8.9.4(c)(iii) and, if the Board exercises that discretion, those Performance Rights will not lapse other than as provided in clause 8.9.4(c)(iii);

- (iii) the Holder or the Holder's personal legal representative (as the case may be) must convert those Performance Rights referred to in clause 8.9.4(c)(i) and, where permitted, clause 8.9.4(c)(ii), not later than the earliest of:
 - (A) the Expiry Date of the relevant Performance Rights; and
 - (B) the date which is 6 months after the Ceasing Event provided that in the case of Performance Rights referred to in clause 8.9.4(c)(ii), all Vesting Conditions have been met at that time (unless the Board decides to waive any relevant Vesting Conditions, in its absolute discretion); and
- (iv) Performance Rights which have not been converted by the end of the period specified in clause 8.9.4(c)(iii) lapse immediately at the end of that period.
- (d) Where:
 - (i) the Holder ceases to be a Holder for any reason whatsoever (including without limitation resignation or termination for cause) prior to the relevant Expiry Date, however the relevant Vesting Condition has been met, the Holder is entitled to convert the Performance Rights for a period of up to 1 month after the date which the Holder ceased to be a Holder, after which the Performance Rights will lapse immediately.

8.9.5 Change in Control event

- (a) Change in Control Event means:
 - (i) the occurrence of:
 - (A) the offeror under a takeover offer in respect of Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (B) that takeover bid has become unconditional; or
 - (ii) the announcement by the Company that:
 - (A) shareholders of the Company have (at a Court convened meeting of shareholders) voted (by the necessary majority) in favour of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party; and

- (B) the Court, by order, approves the scheme of arrangement.
- (b) On the occurrence of a Change of Control Event, the Board may in its sole and absolute discretion determine that any unvested Performance Rights will vest in the Holders, despite the non-satisfaction of any Vesting Conditions and become convertible in accordance with clause 8.9.3(b), with such vesting deemed to have taken place immediately prior to the effective date of the Change of Control Event, regardless of whether or not the employment, engagement or office of the Holder is terminated or ceases in connection with the Change of Control Event.
- (c) Whether or not the Board determines to accelerate the vesting of any Performance Rights, the Company shall give written notice of any proposed Change of Control Event to all Holders.
- (d) Upon the giving of such notice, the Holder shall be entitled to convert, at any time within the 14-day period following the receipt of such notice, all or a portion of those Performance Rights granted to the Holder which are then vested and convertible in accordance with their terms, as well as any unvested Performance Rights which shall become vested and convertible in connection with the Change of Control Event.
- (e) Unless the Board determines otherwise (in its sole and absolute discretion), upon the expiration of such 14-day period, all rights of the Holder to convert any outstanding Performance Rights, whether vested or unvested, shall terminate and all such Performance Rights shall immediately lapse, expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control Event.
- (f) In any event, the maximum number of Performance Rights that can be converted into Shares and issued upon a Change of Control Event pursuant to this clause 8.9.5 must not exceed 10% of the issued share capital of the Company (as at the date of the Change in Control event).

8.10 Terms and Conditions of Director Options

(a) Entitlement

Subject to paragraph 8.10(m), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) Exercise price

Subject to paragraphs 8.10(j) and 8.10(l), the amount payable upon exercise of each Option will be \$0.08 (Exercise Price).

(c) Expiry date

Each Option will expire at 5:00pm (WST) on the day that is 30 months from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Shares on exercise

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for Official Quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under clause 8.10(g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) Quotation of Shares issued on exercise

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(I) Adjustment for rights issue

In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(m) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(n) Unquoted

The Company will not apply for quotation of the Options on ASX.

9. Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Jeremy King

Non-Executive Director

For and on behalf of Axxis Technology Group Ltd (to be renamed ECS Botanics Holdings Ltd)

10. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian Dollars.

Acquisition means the Company's acquisition of all the issued capital in ECS pursuant to the Term Sheet, as set out in Section 7.1.

ANZFS Code means the Australian and New Zealand Food Standards Code.

Application Form(s) or **Form(s)** means an application form provided by the Company for the Securities offered pursuant to this Prospectus.

Application Monies means application monies for Securities received and banked by the Company.

Applications means completed Application Forms submitted to and received by the Company accompanied by Application Monies.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX and any other rules of ASX which are applicable while any Shares are admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Board means the Directors of the Company as at the date of this Prospectus.

Business Day means a day on which ASX is open for trading.

CBD means cannabidol, a type of cannabinoid.

Chapter means a chapter of either the Listing Rules or the Corporations Act.

CHESS means Clearing House Electronic Subregistry System.

Closing Date means the date specified as the closing date for the Offers in the Indicative Timetable of the Offers (or such earlier or later date determined by the Directors).

Company or AYG means Axxis Technology Group Ltd (ACN 009 805 298).

Completion means completion and settlement of the Acquisition, being the transfer of ECS shares from the Vendors to AYG, and AYG issuing the Consideration Shares and Performance Rights to the Vendors, subject to satisfaction of the terms and conditions of the Term Sheet.

Conditions of the Offers means the conditions of the Offers defined in Section 3.6.

Consideration means the consideration pursuant to the Term Sheet as defined in Section 7.1.1, comprised of the Consideration Shares and the Performance Rights.

Consideration Shares means the 287,500,000 Shares to be issued under the Vendor Offer to the Vendors as part Consideration for the Acquisition.

Constitution means the current constitution of the Company.

Corporate Directory means the corporate directory of the Company as set out on page i of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Director Options means the unlisted Options on the terms set out in Section 8.10

ECS or ECS Botanics means ECS Botanics Pty Ltd (ACN 624 153 331).

EFAs means essential fatty acids.

Exposure Period means the exposure period in accordance with section 727(3) of the Corporations Act, the period of 7 days (which may be extended by ASIC to up to 14 days) after lodgement of this Prospectus with ASIC during which the Company must not process Applications.

Facilitation Shares means 10,000,000 Shares to be issued to the Joint Lead Managers as described in Section 1.5.

FSANZ means Food Standards Australia New Zealand.

General Meeting means the general meeting of the Company to be held on 28 May 2019 for the purpose of approving resolutions in connection with the Acquisition and Recompliance.

GST means Goods and Services Tax.

hemp means industrial hemp.

Indicative Timetable means the indicative timetable for the Offers set out in Section 1.4.

Investigating Accountant means BDO Corporate Finance (WA) Pty Ltd.

Investigating Accountant's Report means the independent limited assurance report prepared by the Investigating Accountant and attached to this Prospectus as Annexure A.

Investment Overview means the investment overview contained in Section 1 of this Prospectus.

Joint Lead Managers means the joint lead managers to the Public Offer, being Xcel Capital and Sanlam Private Wealth.

Joint Lead Manager Mandate means the mandate between the Company, Xcel Capital and Sanlam Private Wealth dated 12 March 2019.

Legal Report means the legal opinion prepared by Colin Biggers & Paisley Lawyers and attached to this Prospectus as Annexure B.

Maximum Subscription means the maximum subscription under the Public Offer, being \$6,500,000 as set out in Section 3.1.1.

MCS means Macquarie Cropping Services Pty Ltd.

Minimum Subscription means the minimum subscription under the Public Offer, being \$4,500,000 as set out in Sections 3.1.1 and 3.9.

Mirador Corporate means Mirador Corporate Pty Ltd, the company providing financial and company secretarial services to the Company.

Notice of Meeting means the notice of General Meeting dated 26 April 2019 in respect of the General Meeting of the Company to be held on 28 May 2019.

Offer Period means the period from the Opening Date up to and including the Closing Date.

Offers means the Public Offer and the Vendor Offer made under this Prospectus.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX of the Securities on the Official List.

Opening Date means the date specified as the opening date in the Indicative Timetable of the Offers.

Option or **Options** means a listed or unlisted option granted by the Company to subscribe for one Share.

Optionholder or Optionholders means any person holding Options.

Performance Milestone means the performance milestones of the Performance Rights as set out in Section 8.9.

Performance Rights means 131,250,000 performance rights which, subject to satisfaction of the Performance Milestones, are convertible into Shares in the Company on a one for one basis, and are otherwise subject to the terms and conditions set out in Section 8.9.

Proposed Directors means Alex Keach and David McCredie (to be appointed at Completion of the Acquisition).

Prospectus means this Prospectus dated 10 May 2019, which was lodged with ASIC on that date.

Public Offer means the public offer of Shares under this Prospectus as set out in Section 3.1.1.

Recompliance means the Company's recompliance with Chapters 1 and 2 of the ASX Listing Rules.

Recommendations means the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Related Party has the meaning ascribed to that term as set out in the Corporations Act and the Listing Rules.

Risk Factors refers to the risk factors set out in Section 5.

Sanlam Private Wealth means Sanlam Private Wealth Pty Ltd, one of the Joint Lead Managers.

Section refers to a section of this Prospectus.

Securities means a security of the Company, being a Share, Performance Share or Option issued or granted (as the case may be).

Security holder means any person holding Securities.

Seed to Sale Approach means ECS' various binding and non-binding arrangements and relationships with third parties along its supply chain, for the purposes of streamlining the production of its hemp food products, in order maximise benefits to the business.

Settlement or **Completion** means settlement or completion of the Acquisition under the Term Sheet, as defined in Section 7.1.

Share or Shares means ordinary fully paid shares in the capital of the Company.

Share Registry means Computershare Investor Services Pty Limited.

Shareholder(s) means any person holding Shares.

Term Sheet means the term sheet between the Company, ECS and the Vendors dated 15 February 2019, on terms set out in Section 7.1.

THC means delta-9-tetrahydrocannabinol, a type of cannabinoid.

Vendors means the shareholders of ECS.

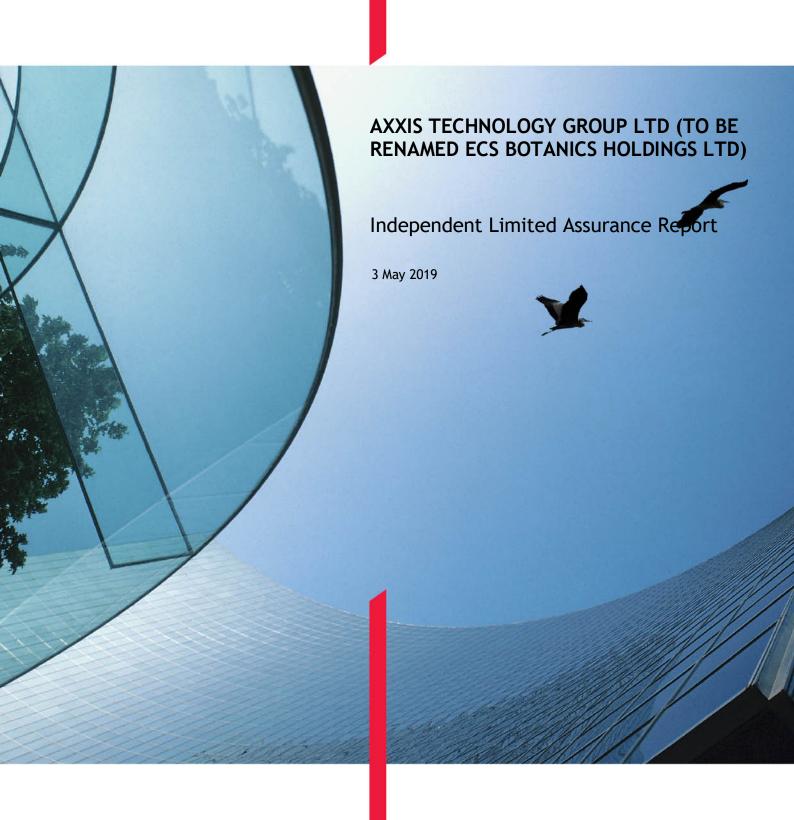
Vendor Offer means the offer to the Vendors of Consideration Shares and Performance Rights under this Prospectus as set out in Section 3.1.2.

Vesting Condition means Performance Milestones for the Performance Rights being achieved collectively.

WST means Western Standard Time, being the time in Perth, Western Australia.

Xcel Capital means Xcel Capital Pty Ltd, one of the Joint Lead Managers.

Annexure A: Investigating Accountant's Report







38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia



3 May 2019

The Directors

Axxis Technology Group Ltd

Suite 2, Level 1

1 Altona Street,

WEST PERTH, WA, 6005

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by Axxis Technology Group Ltd ('AYG' or 'the Company') to prepare this Independent Limited Assurance Report ('Report') in relation to the historical financial information and pro forma historical information of AYG, in relation to the issue of ordinary shares in AYG ('Shares'), for inclusion in the recompliance prospectus ('the Prospectus'). Broadly, the Prospectus will offer up to a maximum of 162,500,000 Shares at an issue price of \$0.04 each to raise up to \$6.50 million before costs ('the Offer'). The Offer is subject to a minimum subscription level of 112,500,000 Shares to raise \$4.50 million.

AYG will also acquire 100% of the issued capital of ECS Botanics Pty Ltd ('ECS') pursuant to the terms and conditions of the binding Term Sheet ('the Term Sheet') dated 15 February 2019 ('the Acquisition'). The terms of the Acquisition are detailed in Section 7.1 of the Prospectus.

Under the terms of the Acquisition, consideration for 100% of the issued capital in ECS will be in the form of 287,500,000 fully paid ordinary shares ('Consideration Shares') and 131,250,000 performance rights ('Performance Rights') issued to the shareholders of ECS ('Vendors'). The Performance Rights will vest upon the satisfaction of each of the following milestones ('Milestone A', 'Milestone B' and 'Milestone C', respectively):

• 43,750,000 Performance Rights ('Milestone A Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$1.00 million within two years of the Company's readmission.

- 43,750,000 Performance Rights ('Milestone B Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$2.50 million within three years of the Company's readmission.
- 43,750,000 Performance Rights ('Milestone C Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$10.00 million within four years of the Company's readmission.

In addition, AYG will issue 10 million shares to joint lead managers Xcel Capital and Sanlam Private Wealth ('Joint Lead Managers'), for their services in facilitating the Acquisition ('Facilitation Shares').

Furthermore, a total of 20,375,000 unlisted options will be granted to the existing and proposed directors ('Director Options'). 18,500,000 Director Options will go to existing Directors ('Existing Director Options'), Mr Jeremy King and Mr Michael Nitsche and 1,875,000 Director Options will go to the proposed Directors ('Proposed Director Options'), Mr Alexander Keach and Mr David McCredie. The Director Options have an exercise price of \$0.08 and have an expiry date of 30 months from the date of issue.

Expressions defined in the Prospectus have the same meaning in this Report. BDO holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested BDO to review the following historical financial information (together the 'Historical Financial Information') of AYG and ECS included in the Prospectus:

- the reviewed historical Statement of Financial Position of AYG as at 31 December 2018;
 and
- the audited historical Statement of Financial Position, Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows of ECS for the year ended 31 January 2019.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Historical Financial Information of AYG has been extracted from the financial report for the half year ended 31 December 2018 which was reviewed by BDO Audit (WA) Pty Ltd ('BDO Audit'). BDO Audit conducted its review in accordance with the Australian Auditing Standards. BDO Audit issued an unmodified review opinion on the financial report for the half year ended 31 December 2018, with an emphasis of matter relating to the uncertainty around the ability to continue as a

going concern. The ability of the Company to continue as a going concern is dependent on securing additional funding to fund its operational and marketing activities.

The Historical Financial Information of ECS has been extracted from the financial report of ECS for the year ended 31 January 2019, which was audited by William Buck in accordance with the Australian Auditing Standards. William Buck issued an unmodified opinion on the financial report. BDO Audit conducted a review of William Buck's historical audit file.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (the 'Pro Forma Historical Financial Information') of AYG included in the Prospectus:

the pro forma historical Statement of Financial Position as at 31 December 2018.

The Pro Forma Historical Financial Information has been derived from the historical financial information of AYG, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by AYG to illustrate the impact of the event(s) or transaction(s) described in Section 6 and Section 7 of the Report on AYG's financial position as at 31 December 2018. As part of this process, information about AYG's financial position has been extracted by AYG from AYG's financial statements for the half year ended 31 December 2018.

3. Directors' responsibility

The directors of AYG are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

6. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the half year ended 31 December 2018:

- AYG conducted a pro-rata non-renounceable rights issue ('Rights Issue') on the basis of two new shares for every nine existing shares held in the Company. The Shares under the Rights Issue were offered at \$0.032 per share for a maximum number of 8,653,421 shares to raise approximately \$276,909 (before expenses). The cost of the Rights issue was \$60,000, which has been offset against contributed equity; and
- ECS repaid a related-party loan from Mr Alexander Keach of \$18,560.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of AYG not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements as at 31 December 2018, the subsequent events set out in Section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The Company will acquire 100% of the issued capital of ECS, conditional upon the satisfaction or waiver of certain conditions precedent including:
 - ECS receiving any necessary third party consents in respect of the change of control of its business as a result of the Acquisition;
 - AYG obtaining regulatory and shareholder approvals required to implement the Acquisition, being the approvals sought at the Company's general meeting;
 - o The successful completion of the Offer; and

- AYG receiving conditional re-admission approval from ASX, on conditions which are reasonably acceptable to AYG.
- The Company has considered whether the Acquisition falls within the scope of AASB 3 Business Combinations and therefore is required to be accounted for as a business combination. A business combination involves an acquirer obtaining control of one or more business by transferring cash, incurring liabilities or issuing shares. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. The Company does not consider that the Acquisition meets the definition of a business combination in accordance with AASB 3 Business Combinations as the acquired assets are not deemed to be a business for accounting purposes, therefore the Acquisition has been provisionally accounted for as an asset acquisition. Given that the Vendors will have control of AYG following the acquisition, the Acquisition has been accounted for as a reverse asset acquisition, with AYG being the legal acquirer but ECS being the accounting acquirer. The asset acquisition accounting results in a listing expense of \$1,670,354, which is detailed further in Note 7;
- The Company will issue 287,500,000 Consideration Shares and 131,250,000 Performance Rights (the terms of which are detailed in Section 8.9 of the Prospectus) to the Vendors as consideration for the Acquisition. Given that there is significant uncertainty around the achieving of future revenue milestones, in accordance with Regulatory Guide: 170 Prospective Financial Information ('RG: 170'), there are insufficient reasonable grounds to assume that the milestones will be met, and as such, a nil value has been assigned to these Performance Rights. The existence of these Performance Rights is disclosed in Note 9: Commitments and Contingencies. Further information on the treatment of the Performance Rights can be found in the significant accounting judgements and estimates note.
- The issue of 112,500,000 Shares at an issue price of \$0.040 each to raise \$4.5 million before costs based on the minimum subscription or the issue of 162,500,000 Shares at an issue price of \$0.040 each to raise \$6.5 million before costs based on the maximum subscription, pursuant to the Prospectus;
- Cash costs of the Offer are estimated to be \$590,481 under the minimum subscription and \$712,633 under the maximum subscription. Those cash costs of the Offer that are directly attributable to costs of the capital raising are offset against contributed equity, with the other costs being expensed through accumulated losses. The Company will also issue 10,000,000 shares to the Joint Lead Managers, with a value of \$400,000, which are to be offset against contributed equity. The issue of these Joint Lead Manager Shares has a nil impact on the book value of contributed equity, therefore there is no financial adjustment for this in the Pro forma Statement of Financial Position; and
- The Company will also issue a total of 20,375,000 Director Options to existing Directors, Mr Michael Nitsche and Mr Jeremy King and proposed Directors, Mr Alexander Keach and Mr David McCredie. The Director Options have an exercise price of \$0.08 and have an expiry date that is 30 months from the date of issue. The Director Options have been valued at \$224,125 using the Black Scholes option pricing model. The value of the Director Options is reflected in reserves and expensed through accumulated losses.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Offer other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO Audit is the auditor of AYG and from time to time, BDO provides AYG and ECS with certain other professional services for which normal professional fees are received.

9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

Peter Toll

Director

APPENDIX 1 AXXIS TECHNOLOGY GROUP LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed for the	Reviewed for the
	31-Dec-18	31-Dec-17
	\$	\$
Other Income	284	21,035
Administration	(144,805)	(136,572)
Other expenses	(27,563)	(10,057)
Finance costs	(20)	(14)
Loss before income tax expense	(172, 104)	(125,608)
Income tax expense	-	-
Loss after income tax expense	(172,104)	(125,608)
Other comprehensive income		
Other comprehensive income for the year, net of income tax	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive loss	(172,104)	(125,608)

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4. Past performance is not a guide to future performance.

We have not reported on the historical statements of profit or loss and other comprehensive income for the historical periods pursuant to ASIC' Regulatory Guide 228: Prospectuses: Effective disclosure for retail investors ('RG 228'), paragraph 102, as we consider AYG to represent a listing vehicle. Therefore, the historical financial performance of AYG would not be relevant to an informed assessment of the future prospects of the Company following the acquisition of ECS. We have presented the comparative half year period above for information purposes only and do not express an opinion on this in accordance with the scope in section 2 of this Report. The historical financial statements of AYG are publically available and can be accessed via the Australian Securities Exchange ('ASX') platform.

APPENDIX 2 AXXIS TECHNOLOGY GROUP LTD PRO-FORMA STATEMENT OF FINANCIAL POSITION

		AYG Reviewed as at	ECS Audited as at	Subsequent	Pro-forma ad	liustmonts	Pro forma af	tor Offer
		31-Dec-18	31-Jan-19	events	Min	Max	Min	Max
	Notes	\$1-200-10	\$ 1.5411-15	\$,s	, max	,,,,,,, \$	\$
CURRENT ASSETS		· ·	· ·	•	•	•	•	<u> </u>
Cash and cash equivalents	2	45,570	1,435,386	198,349	3,909,519	5,787,367	5,588,824	7,466,672
Trade and other receivables		18,164	27,464	-	-	-	45,628	45,628
Inventories		-	81,550	-	-	-	81,550	81,550
TOTAL CURRENT ASSETS		63,734	1,544,400	198,349	3,909,519	5,787,367	5,716,002	7,593,850
NON CURRENT ASSETS								
Property plant & equipment		-	42,301	-	-	-	42,301	42,301
TOTAL NON CURRENT ASSETS		-	42,301	-	-	-	42,301	42,301
TOTAL ASSETS		63,734	1,586,701	198,349	3,909,519	5,787,367	5,758,303	7,636,151
CURRENT LIABILITIES								
Trade and other payables	3	47,354	27,225	(18,560)	-	-	56,019	56,019
TOTAL CURRENT LIABILITIES		47,354	27,225	(18,560)	-	-	56,019	56,019
TOTAL LIABILITIES		47,354	27,225	(18,560)	-	-	56,019	56,019
NET ASSETS/(LIABILITIES)		16,380	1,559,476	216,909	3,909,519	5,787,367	5,702,284	7,580,132
EQUITY								
Contributed equity	4	51,548,154	1,755,200	216,909	(45,743,320)	(43,863,320)	7,776,943	9,656,943
Capital contributions			100,500		-	-	100,500	100,500
Reserves	5	-	-		224,125	224,125	224,125	224,125
Accumulated losses	6	(51,531,774)	(296,224)	-	49,428,714	49,426,562	(2,399,284)	(2,401,436)
TOTAL EQUITY		16,380	1,559,476	216,909	3,909,519	5,787,367	5,702,284	7,580,132

The cash and cash equivalents balance above does not account for working capital movements from the above balance sheet dates until completion. We have been advised that the operating costs of AYG and ECS subsequent to the above balance sheet dates and up to the date of the lodgement of the prospectus are expected to be \$134,713 and \$135,000 respectively.

The pro-forma statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 1, Appendix 3, Appendix 5, Appendix 6 and Appendix 7.

APPENDIX 3 AXXIS TECHNOLOGY GROUP LTD HISTORICAL STATEMENT OF CASH FLOWS

Statement of Cash Flows	Reviewed for the half year ended 31-Dec-18	Reviewed for the half year ended 31-Dec-17
Cash flows from operating activities:	*	7
Payments to suppliers and employees (incl GST)	(159,759)	(153,647)
Interest received	284	-
Interest paid and other finance costs	-	21,035
Net cash outflows from operating activities	(159,475)	(132,612)
Cash flows from investing activities:		
Payment of Loan to WindTurbine Pty Ltd	-	(200,000)
Payment of Loan to WindTurbine Pty Ltd to AYG	-	200,000
Net cash outflows from investing activities	-	-
Cash flows from financing activities:		
Net cash outflows from financing activities		-
Net increase/(decrease) in cash held	(159,475)	(132,612)
Cash and cash equivalents at beginning of period	205,045	422,008
Cash and cash equivalents at the end of the period	45,570	289,396

We have not reported on the historical statements of cash flows for the historical periods pursuant to RG 228, paragraph 102, as we consider AYG to represent a listing vehicle. Therefore, the historical financial performance of AYG would not be relevant to an informed assessment of the future prospects of the Company following the acquisition of ECS. We have presented the comparative half year period above for information purposes only and do not express an opinion on this in accordance with the scope in section 2 of this Report. The historical financial statements of AYG are publically available and can be accessed via the ASX platform.

AXXIS TECHNOLOGY GROUP LTD

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period for which the Company has adopted

- AASB 15 Revenue from Contracts with Customers; and
- AASB 9 Financial Instruments.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

AASB 15 Revenue from contracts with Customers

AASB 15 Revenue from contracts with Customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group on 1 July 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers.

The Company has considered AASB 15 in detail and determined that the impact on the Company's sales revenue from contracts under AASB 15 is insignificant for the year.

The Company's new revenue accounting policy is detailed below:

Revenue is recognised when or as the Company transfers control of goods or services to a customer at the amount to which the Company expects to be entitled. If the consideration promised includes a variable component, the Company estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. The new accounting policies (applicable from 1 July 2018) are set out below.

In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

Classification and measurement

Except for certain trade receivables the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

Impairment

From 1 July 2018 the Company assesses on a forward looking basis the expected credit losses ('ECLs') associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience.

AASB 16 Leases

There are a number of standards and interpretations which have been issued by the Australian Accounting Standards Board that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is AASB 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

Adoption of AASB 16 will result in the group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 31 January 2019 was \$21,667. The early adoption of the standard would result in a decrease in net profit of \$4,093. This impact is not considered to be material.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

· Leases of low value assets; and

Leases with a duration of 12 months or less.

As such, there would be an establishment of a right of use asset of \$238,543 and a corresponding lease liability of \$238,543. Therefore, this will not have an impact on the net asset position of ECS.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

b) Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on securing additional funding through new or existing investors to fund its operational and marketing activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

c) Reporting Basis and Conventions

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

d) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the company at the end of the reporting period. A controlled entity is any entity over which the company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the company during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated statement of financial position and statement of financial performance. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations and asset acquisitions

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

e) Income Tax

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally

enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

f) Cash and Cash Equivalents

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

g) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

h) Inventories

Inventory is valued depending upon the specific purpose of that inventory class. Costs incurred for inventory held as non- bearer plant inventory is valued at fair value less costs to sell, and where fair value is not readily available, at cost or net realisable value.

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.

i) Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

k) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days of recognition.

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) Current and Non-Current Classifications

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

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

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

n) Goods and Services Tax ('GST')

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

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

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

o) Contributed Equity

Ordinary shares are classified as equity.

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

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

p) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

q) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments transactions

The Company provides benefits to employees (including directors) of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the period from grant date to the date on which the relevant employees become fully entitled to the award ("vesting date"). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

r) Accounting estimates and judgements

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. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future balances.

The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

Options

The fair value of options issued is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Contingent consideration

Management have applied significant judgements in determining the amount of consideration payable in the periods following the Acquisition. An assessment of the probability of the revenue milestones being met will be assessed each reporting period.

Taxation

The Company is subject to income taxes in Australia. Significant judgement is required when determining the Company's provision for income taxes. The Company estimates its tax liabilities based on the Company's understanding of the tax law.

Reviewed	Pro-forma a	after Offer
31-Dec-18	Min	Max
\$	\$	\$
45,570	5,588,824	7,466,672
	45,570	45,570
	1,435,386	1,435,386
•	1,480,956	1,480,956
	276,909	276,909
	(60,000)	(60,000)
_	(18,560)	(18,560)
•	198,349	198,349
	4,500,000	6,500,000
	(590,481)	(712,633)
	3,909,519	5,787,367
	5,588,824	7,466,672
	31-Dec-18 \$	31-Dec-18 Min \$ \$ 45,570 5,588,824 45,570 1,435,386 1,480,956 276,909 (60,000) (18,560) 198,349 4,500,000 (590,481) 3,909,519

	Reviewed 31-Dec-18	Pro-forma after Offer
NOTE 3. TRADE AND OTHER PAYABLES	\$	\$
Trade and other payables	47,354	56,019
Adjustments to arise at the pro-forma balance:		
Reviewed balance of AYG at 31 December 2018		47,354
Audited balance of ECS at 31 January 2019		27,225
		74,579
Subsequent events:		
Repayment of loan by ECS		(18,560)
		(18,560)
Pro-forma Balance		56,019

		Reviewed	Pro-forma	after Offer
		31-Dec-18	Min	Max
NOTE 4. CONTRIBUTED EQUITY		\$	\$	\$
Contributed equity		51,548,154	7,776,943	9,656,943
Adjustments to arise at the pro-forma balance:	Number of shares (Min)	Number of shares (Max)	\$	\$
Fully paid ordinary share capital of AYG at 31 December 2018	38,937,646	38,937,646	51,548,154	51,548,154
Fully paid ordinary share capital of ECS at 31 January 2019			1,755,200	1,755,200
	38,937,646	38,937,646	53,303,354	53,303,354
Subsequent events:				
Rights Issue including shortfall	8,653,421	8,653,421	276,909	276,909
Cost of the Rights Issue	-	-	(60,000)	(60,000)
	8,653,421	8,653,421	216,909	216,909
Pro-forma adjustments: Proceeds from shares issued under this	112,500,000	162,500,000	4,500,000	6,500,000
Prospectus Capital raising costs	, , , _	, , _	(381,900)	(501,900)
Issue of shares to Joint Lead Managers treated as a capital raising cost	10,000,000	10,000,000	-	-
Consideration Shares issued to Vendor	287,500,000	287,500,000	1,903,643	1,903,643
Elimination of AYG's issued capital upon Acquisition			(51,765,063)	(51,765,063)
	410,000,000	460,000,000	(45,743,320)	(43,863,320)
Pro-forma Balance	457,591,067	507,591,067	7,776,943	9,656,943

NOTE 5. RESERVES Reserves	Reviewed 31-Dec-18 \$	Pro-forma after Offer \$ 224,125
Adjustments to arise at the pro-forma balance: Reviewed balance of AYG at 31 December 2018 Audited balance of ECS at 31 January 2018		
Pro-forma adjustments: Issue of Director Options		224,125 224,125
Pro-forma Balance		224,125

The Director Options have been valued using the Black Scholes option pricing model, with the key terms and inputs set out below.

Director Options to be issued	Options
Number of options	20,375,000
Underlying share price (\$)	0.040
Exercise price (\$)	0.080
Life of the Options (years)	2.50
Expected dividends (%)	Nil
Expected volatility (%)	75 %
Risk-free rate	1.49%
Value per Option (\$)	0.011
Total value of Options (\$)	224,125

	Reviewed	Pro-forma	after Offer
	31-Dec-18	Min	Max
NOTE 6. ACCUMULATED LOSSES	\$	\$	\$
Accumulated Losses	(51,531,774)	(2,399,284)	(2,401,436)
Adjustments to arise at the pro-forma balance:			
Reviewed balance of AYG at 31 December 2018		(51,531,774)	(51,531,774)
Audited balance of ECS at 31 January 2018		(296,224)	(296,224)
		(51,827,998)	(51,827,998)
Pro-forma adjustments:			
Elimination of AYG's Accumulated Losses upon Acquisition		51,531,774	51,531,774
Expenses of the Offer relating to the acquisition and listing		(208,581)	(210,733)
Amount recognised as a listing expense		(1,670,354)	(1,670,354)
Issue of Director Options		(224,125)	(224,125)
		49,428,714	49,426,562
Pro-forma Balance		(2,399,284)	(2,401,436)

NOTE 7: **ASSET ACQUISITION**

A business combination involves an acquirer obtaining control of one or more business by transferring cash, incurring liabilities or issuing shares. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. The Company does not consider that the Acquisition meets the definition of a business combination in accordance with AASB 3 Business Combinations as the acquired assets are not deemed to be a business for accounting purposes, therefore the Acquisition has been provisionally accounted for as an asset acquisition. Given that the Vendors will have control of AYG following the acquisition, the Acquisition has been accounted for as a reverse asset acquisition, with AYG being the legal acquirer but ECS being the accounting acquirer.

A summary of the acquisition details with respect to the proposed acquisition of ECS as included in our report is set out below. These details have been determined for the purposes of the proforma adjustments as at 31 December 2018, however will require re-determination as at the successful acquisition date which may result in changes to the values set out below.

As part of the Acquisition, AYG acquires all the shares in ECS by issuing 287,500,000 Consideration Shares and 131,350,000 Performance Rights. As at the pro-forma date, there exists significant uncertainty around the achieving of future revenue milestones, therefore in accordance with RG:170, there are insufficient reasonable grounds to assume that the milestones will be met, and as such, a nil value has been assigned to these Performance Rights for the purposes of the provisional asset acquisition.

Details of the net assets acquired, purchase consideration and share based listing expense are as follows:

NOTE 7. PROVISIONAL ACCOUNTING FOR THE ACQUISITION	s
Net assets acquired:	·
Cash and cash equivalents of AYG prior to the Acquisition	45,570
Cash raised on completion of the Rights Issue (net of costs)	216,909
Trade and other receivables	18,164
Trade and other payables	(47,354)
Adjusted net assets of AYG acquired	233,289
Fair value of Consideration	1,903,643
Total net assets acquired on Acquisition	233,289
Amount recognised as ASX listing expense upon Acquisition	1,670,354

NOTE 8: **RELATED PARTY DISCLOSURES**

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 9: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus. However, we draw attention to the 131,250,000 Performance Rights that will be issued as part of the Acquisition Consideration. The Performance Rights vest subject to the below revenue milestones:

- 43,750,000 Performance Rights ('Milestone A Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$1.00 million within two years of the Company's readmission.
- 43,750,000 Performance Rights ('Milestone B Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$2.50 million within three years of the Company's readmission.
- 43,750,000 Performance Rights ('Milestone C Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$10.00 million within four years of the Company's readmission.

As detailed in Note 7, there is currently insufficient reasonable grounds in accordance with RG 170 to assume that the revenue milestones are likely to be met. As such, the Performance Rights have been noted as a commitment and contingency.

We also note that the Company will pay a monthly retainer of \$10,000 per month for twelve months to the lead managers. This has not been adjusted in the pro-forma balance sheet as this relates to a commitment to future expenditure.

NOTE 10: NEW AASB ACCOUNTING STANDARDS - AASB 16: LEASES, AASB 9: FINANCIAL **INSTRUMENTS AND AASB 15: REVENUE FROM CONTRACTS WITH CUSTOMERS**

We have assessed the impact of new AASB standards on the Historical Financial Information and Pro-Forma Financial Information and do not consider them to have a material impact on the

financial information presented in our Report. Further information on the impact of the new accounting standards can be found in Note 1.

ECS BOTANICS PTY LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited for the year ended
	31-Jan-19
	\$
Income	
Revenue	3,620
Total Income	3,620
Expenses	
Pre-production costs	(32,613)
Depreciation and amortisation expense	(199)
Marketing	(18,712)
Occupancy	(24,854)
Administration	(223,466)
Total Expenses	(299,844)
Loss before income tax expense	(296,224)
Income tax benefit/(expense)	-
Net Loss for the period	(296,224)

ECS was incorporated on 1 February 2018, therefore the above period represents the one-year period from incorporation to 31 January 2019. This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of ECS and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 6 and Appendix 7. Past performance is not a guide to future performance.

ECS BOTANICS PTY LTD

HISTORICAL STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows	Audited for the year ended 31-Jan-19 \$
Cash flows from operating activities:	
Payments to suppliers and employees (incl GST)	(330,934)
Interest received	3,620
Net cash flows from operating activities	(327,314)
Cash flows from investing activities: Payments for property, plant and equipment Net cash flows from investing activities	(42,500) (42,500)
Cash flows from financing activities:	
Proceeds from issue of share capital (net)	1,755,200
Proceeds from equity contribution	50,000
Net cash flows from financing activities	1,805,200
Net increase/(decrease) in cash held	1,435,386
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at the end of the period	1,435,386

ECS was incorporated on 1 February 2018, therefore the above period represents the one-year period from incorporation to 31 January 2019. This consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 5 and Appendix 7. Past performance is not a guide to future performance.

ECS BOTANICS PTY LIMITED

HISTORICAL STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Accumulated Losses	Total
	\$	\$	\$
Balance at 1 February 2018 (Incorporation)	-	-	-
Losses for the year	-	(296,224)	(296,224)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year attributable to members of the entity	-	(296,224)	(296,224)
Transactions with owners in their capacity as owners			
Contributions of equity	100,500	-	100,500
Shares issued to initial owners	1,755,200	-	1,755,200
Balance at 31 January 2019	1,855,700	(296,224)	1,559,476

ECS was incorporated on 1 February 2018. Therefore, the Historical Statement of Changes in Equity is presented for the period from incorporation to 31 January 2019.

The Historical Statement of Changes in Equity of ECS are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

Annexure B: Legal Report



7 May 2019

The Directors
Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)
Suite 2, Level 1
1 Altona Street
West Perth WA 6005

Dear Directors

Re-compliance Prospectus - Axxis Technology Group Ltd

We have been engaged by Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd) (**Company**) to provide this opinion in relation to the Company's re-compliance prospectus (**Prospectus**) pursuant to which it seeks to raise capital and procure the re-quotation of its securities on the Australian Securities Exchange (**ASX**) after re-complying with Chapters 1 and 2 of the ASX Listing Rules. To this end, the Company proposes to acquire ECS Botanics Pty Ltd (**ECS**).

We understand that in relation to the Prospectus, the Company requires a legal opinion regarding:

- (a) the legal status of industrial hemp products and hemp as a food under Australian Federal and State laws (Queensland, Victoria and Tasmania); and
- (b) the transportation, import and export of industrial hemp products under Australian Federal and State laws (Queensland, Victoria and Tasmania).

We understand that currently, Queensland and Tasmania are relevant to ECS' cannabis growing operations, as set out in the Prospectus.

We have, for the sake of completeness, included an overview of the industrial hemp framework in Victoria, as we understand the Company (through ECS) supplies industrial hemp material to third party processors in that State. It is a condition of ECS' licences in each of Queensland and Tasmania that it only supply industrial hemp material to persons authorised to possess it. It follows that any third party processor in Victoria is required to hold an authority, in accordance with the framework discussed at paragraph 7, at the time of each supply by ECS. Our opinion is prepared on the assumption that all third parties engaged in the supply chain hold such authority.

1. Executive Summary

1.1 Status of hemp as food in Australia

(a) The cultivation or supply of low-THC hemp in Victoria, Queensland and Tasmania is permitted under Australian Federal and State law; and

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Level 35, Waterfront Place 1 Eagle Street Brisbane QLD 4000 Australia GPO Box 142 Brisbane QLD 4001 Australia DX 301 Brisbane (b) the sale of low-THC hemp as a food or ingredient in food is permitted by Federal and State law.

subject to meeting certain requirements.

1.2 Status of the Company's operations in Australia

- (a) Provided that, following completion of its acquisition of ECS, the Company:
 - (i) procures that ECS obtains and maintains the prescribed licences and approvals from the relevant States;
 - (ii) causes ECS to comply with change of control requirements (resulting from its acquisition by the Company) in states in which it holds or has applied for the licences, permits and authorisations discussed herein; and
 - (iii) subject to the qualifications and assumptions set out in paragraph 10,

there should not be any legal impediments to the Company, through its control of ECS, to operate its proposed hemp foods business in Queensland and Tasmania as proposed in the Prospectus.

(b) Save for obtaining and maintaining the relevant licences, permits and approvals, there should be no regulatory impediments to the Company expending its funds as proposed in the Prospectus.

2. Background

2.1 The Offer

We understand that the Company intends to lodge its Prospectus on or about 10 May 2019 with the Australian Securities and Investments Commission (**ASIC**). Under the Prospectus, the Company is offering to issue between 112,500,000 and 162,500,000 shares at an issue price of \$0.04 to raise between \$4,500,000 and \$6,500,000 (**Offer**).

The Company intends to apply for re-quotation of its securities on ASX subject to recompliance with Chapters 1 and 2 of the ASX Listing Rules.

2.2 Company licences

At the date of this letter, the Company has advised that subject to completion of its acquisition of ECS, it will, through control of ECS, have the licences, licence applications, and approvals for its business set out in the Schedule to this letter.

We consider below, key aspects of the hemp food regulatory regime in Australia.

3. Commonwealth of Australia Criminal Code

Under the Commonwealth of Australia Criminal Code, it is an offence to cultivate or sell a 'controlled plant', manufacture, traffic or possess a 'controlled drug' or import a 'border controlled drug/plant' (Part 9.1).

The Criminal Code Regulations 2019 provide that any plant of the genus cannabis is:

- (a) a 'controlled plant' (reg. 12);
- (b) a 'border controlled plant' (reg. 15);

(c) both a 'controlled drug' (items 50 and 51 of Schedule 1) and 'border controlled drug' (items 35 to 37 of Schedule 2).

The provisions provide further that such cultivation or sale are not an offence if permitted under another law of the Commonwealth of Australia, or a State or Territory where the activities take place (Subdivision 313.1 and subsection 10.5 of the Criminal Code).

4. The Food Standards Australia New Zealand Act 1991 (FSANZ Act) and the Australian New Zealand Food Standards Code (ANZFSC)

The FSANZ Act establishes Food Standards Australia New Zealand (**FSANZ**) as an independent statutory agency that develops standards to regulate the use of ingredients, colourings, additives, vitamins, minerals and processing aids under the ANZFSC.

Standard 1.1.1 of the ANZFSC provides that a food for sale must not be and must not have as an ingredient or component, a prohibited or restricted plant. Cannabis was listed as a prohibited or restricted plant in Standard 1.4.4: Prohibited and restricted plants and fungi' (Standard 1.4.4).

On 3 May 2017, the Board of FSANZ made a variation to the ANZFSC providing an exception to Standard 1.4.4: 'Prohibited and restricted plants and fungi'. Standard 1.4.4-6: 'Exception to Cannabis sativa seeds and seed products' was introduced, permitting hemp seeds to be used as a food for sale or used as an ingredient in a food for sale if:

- (a) the seeds:
 - (i) are of low tetrahydrocannabinol (**THC**) Cannabis sativa (where the leaves and flowering heads do not contain more than 1% delta 9-THC); and
 - (ii) contain no more than 5mg/kg of total THC; and
 - (iii) if the food is for retail sale, are non-viable (i.e are seeds that are not able to germinate²) and hulled; and
- (b) the only cannabinoids in or on the seeds are naturally present.

It is further provided that foods for sale that contain hemp food products must not be labelled or otherwise presented for sale in a form which expressly or by implication suggests that the product has a psychoactive effect.³

The label for the food for sale must not include:

- (a) a nutrition content claim about cannabidiol; or
- (b) a health claim about cannabidiol; or
- (c) an image or representation of any part of the *Cannabis sativa* plant (including the leaf of that plant) other than the seed; or
- (d) the words 'cannabis', 'marijuana' or words of similar meaning,

but may include the word 'hemp'.

¹ See paragraphs 1.1.1-10(5)(a) and 1.1.1-10(6)(e) of the ANZFSC.

² See paragraph 1.4.4-6(5) of the ANZFSC.

³ See Standard 1.4.4-7(2) of the ANZFSC.

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It should be noted that the cultivation of plants with a THC content of greater than 1% in Tasmania and Queensland and 0.35% in Victoria is an offence under relevant Australian state drug legislation.

We understand that the Company, subject to completion of the acquisition of ECS, intends to manufacture, cause the transport of, import and export industrial hemp. We consider relevant state (Victoria, Queensland and Tasmania) legislation and regulations relating to industrial hemp commercial production, transport and licensing, below.

5. Industrial hemp framework in Queensland

5.1 Licensing

Commercial production of industrial hemp is regulated by the *Drugs Misuse Act 1986* (Qld) (**DM Act**) and the *Drugs Misuse Regulation 1987* (Qld) (**DM Regulation**).

5.2 Applications for licences

A licence granted by the Chief Executive of the Department of Agriculture and Fisheries (**Chief Executive**) is required for the growing of low-THC industrial hemp. Industrial hemp plants must be grown from seed certified to produce plants with no more than 1% THC concentration.

A person who wishes to obtain a licence must be a *fit and proper person* to hold the licence. They must apply for the licence by:⁴

- (a) submitting an application showing, among other things, the person is eligible to obtain the licence; and
- (b) paying the fee prescribed under a regulation; and
- (c) giving the Chief Executive the other information required under section 54 or 56.

5.3 Types and scopes of Licences

There are three industrial hemp licences available in Queensland, broadly covering growing and conducting research, namely:

(a) Grower Licence

A Grower Licence is required for commercial production of industrial hemp plants and seeds, including for supply to researchers with Category 1 and Category 2 Research Licences.

A Grower Licence allows the holder to:5

- (i) possess and supply industrial cannabis and produce industrial cannabis plants and seed from certified cannabis seed;
- (ii) possess and supply industrial cannabis seed to a category 1 or 2 researcher, another grower or an analyst; and
- (iii) produce and supply class A or B research cannabis plants and seed.

Class A research cannabis plant means a cannabis plant that has a THC concentration in its leaves and flowering heads of 3% or more.

⁴ Section 53 of the DM Act.

⁵ Section 52 of the DM Act.

Class A research cannabis seed means—

- (i) seed harvested from a class A research cannabis plant; or
- (ii) seed that, if grown, will produce a class A research cannabis plant.

Class B research cannabis plant means a cannabis plant that has a THC concentration in its leaves and flowering heads of more than 1% but less than 3%.

Class B research cannabis seed means—

- (i) seed harvested from a class B research cannabis plant; or
- (ii) seed that, if grown, will produce a class B research cannabis plant.

(b) Category 1 Research Licence:

A Category 1 Research Licence is required to conduct research into the use of industrial hemp as a commercial fibre and seed crop (for example, field trials using fertilisers or irrigation and different planting rates).

A Category 1 Research Licence allows the holder to:6

- (i) possess and supply industrial cannabis and class A and B research cannabis plants and seed;
- (ii) produce industrial cannabis and class A and B research cannabis plants and seed;
- (iii) supply processed cannabis to a manufacturer.

(c) Category 2 Research Licence:

A Category 2 Research Licence is required to conduct plant breeding programs to develop new or improved strains of hemp for use by commercial growers.

A Category 2 Research Licence allows the holder to:7

- (i) possess and supply industrial cannabis and class B research cannabis plants and seed:
- (ii) produce industrial cannabis and class B research cannabis plants and seed:
- (iii) supply processed cannabis to a manufacturer.

In order to be eligible for a Category 1 or 2 Research Licence, a person must satisfy the Chief Executive that he or she has the necessary educational or other qualifications and experience to engage in plant breeding or other research involving the use of industrial cannabis or class A or class B research cannabis, or if the applicant is a corporation, that the person employed by the corporation to carry out plant breeding under the licence has the requisite educational or other qualifications.⁸

⁶ Section 50 of the DM Act.

⁷ Section 51 of the DM Act.

⁸ Section 57 of the DM Act.

5.4 Application requirements

The Chief Executive must consider certain factors relating to the applicant's suitability, including:9

- (a) whether the person is a *fit and proper person* to hold a licence;
- (b) whether the person's *close associates* are fit and proper persons to hold a licence;
- (c) whether the person held a licence or permit that was suspended or cancelled under the DM Act, the *Narcotic Drugs Act* 1967 (Cth) or a corresponding law of another State;
- (d) whether a close associate of the person held a licence or permit that was suspended or cancelled under the DM Act, the *Narcotic Drugs Act* 1967 (Cth) or a corresponding law of another State;
- (e) the person's criminal history and whether the person is capable of satisfactorily performing the activities of a licensee;
- (f) the criminal history of any close associate of the person; and
- (g) if the applicant is a corporation, whether each executive officer of the corporation is a fit and proper person to hold a licence.

A "close associate" includes persons who:10

- (a) hold or will hold a relevant financial interest in the business of the licensee and will be able to exercise a significant influence over or in relation to the conduct of that business;
- (b) through voting power or otherwise, is entitled to participate in any managerial or executive decision making for the business or elect or appoint a person to a position that participates in such decisions; and
- (c) hold or will hold a position that participates in the management of the business (whether in the capacity of a director, manager, secretary or otherwise).

Fit and proper persons requirement

Upon receiving an application for a licence, the Chief Executive may carry out such investigations and inquiries as the Chief Executive considers necessary to determine the application, including that the applicant is *suitable to be concerned in or associated with the cultivation or supply of low-THC hemp.* This includes:

- (a) whether the person or his or her close associates have previously held a licence that has been suspended or cancelled; and
- (b) criminal history of an individual applicant or in cases of a corporation, each executive officer.

Persons other than growers or researchers

Participants in the industrial hemp industry other than growers or researchers (such as employees and inspectors) do not need to obtain a licence. It follows that:

⁹ Section 57 of the DM Act.

¹⁰ Section 46 of the DM Act.

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- (a) owners or operators of facilities that use or processes industrial cannabis to manufacture a product for sale, may possess processed cannabis.
- (b) industrial hemp seed suppliers or denaturers are not required to hold a licence, but they must:11
 - (i) keep industrial hemp seed locked in a secure place;
 - (ii) keep records on all seed held and supplied; and
 - (iii) ensure seed is labelled in accordance with requirements.

Seed suppliers can apply to the Chief Executive to be a recognised as a seed supplier. This requires them to have a current recognised quality assurance program that conforms to an industry standard or code of practice, and be a member of the Queensland Seed Industry Association, or a similar organisation in another state.¹²

Denaturers process industrial cannabis seeds to prevent seed germination. They are authorised to supply denatured seed to a person who is authorised to possess processed cannabis.¹³ Denatured seeds, or processed cannabis, are used in manufacturing seed or oil products, including products for human consumption.

Denaturers must:14

- (a) keep industrial cannabis seed that has not yet been denatured in a securely locked place; and
- (b) maintain records of seed received.

5.5 Transfers of licences

Licences cannot be transferred.

5.6 Licence period

A licence granted under the DM Act remains in force for a period of 3 years from the date on which it was granted, renewed or transferred, unless it is sooner revoked or suspended.

5.7 Renewal

An application for the renewal of a licence may be made to the Chief Executive by the holder of the licence. The application should be received by the Secretary before the licence expires and should include such information and particulars as prescribed by the regulations.

5.8 Licence conditions

Licence conditions include, depending on which licence is concerned:

(a) growing cannabis for research purposes in a secure glasshouse or secure fenced area and keeping seeds in a locked place;

¹¹ Regulation 4 of Schedule 7 of the DM Regulation.

¹² Regulation 27 of Division 8 of the DM Regulation.

¹³ Regulation 22 of Division 7 of the DM Regulation.

¹⁴ Regulation 1 of Schedule 7 of the DM Regulation.

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- (b) keep a register of strains or varieties of seeds in its possession or which it is growing; and in all cases
- (c) that the licensee must notify the Chief Executive of any change of address or close associates as soon as soon practicable after the change happens.

The proposed change in control of ECS is therefore an event requiring disclosure.

5.9 Reporting requirements

Licence holders must give certain periodic notices to the regulating state authority, including of planning of cannabis seeds, harvesting, dealing with non-harvested material and in relation to testing.

5.10 Breaches of conditions

If audits of the licensee demonstrate non-conformity with licence conditions, depending on the severity of the breach, the holder may be directed to take corrective action or in more severe cases, the licence may be suspended, cancelled or not renewed.

5.11 Transport

The DM Regulation refers to "carriers" in Division 3, which applies only if the carrier is engaged or employed by any of the following to transport consigned cannabis:¹⁵

- (a) a category 1 or category 2 researcher;
- (b) a grower;
- (c) a DPI researcher;
- (d) an inspector; or
- (e) a seed supplier.

Under regulations 13 and 14 of the DM Regulation, the carrier is authorised to transport and possess the cannabis for the time necessary to transport the product and give it to the person to whom it is consigned and has effect only while the carrier is acting in accordance with the terms of the carrier's engagement or employment.

6. Industrial hemp framework in Tasmania

6.1 Licensing

The *Industrial Hemp Act* 2015 (Tas) (**IH Act**) and the *Industrial Hemp Regulations* 2016 (Tas) (**IH Regulations**) regulate the industrial hemp industry in Tasmania.

6.2 Applications for Licences

The Secretary of the Department of Primary Industries, Parks, Water and Environment (**Secretary**) must take into account an applicant's criminal history when assessing an application to obtain a licence.

Fit and proper persons requirement

Upon receiving an application for a licence, the Secretary may carry out such investigations and inquiries as the Secretary considers necessary to determine the

¹⁵ Section 12 of the DM Regulation.

application, including that the applicant is *suitable to be involved in the possession, cultivation or supply of hemp.* This includes checking the criminal history of an individual applicant or in cases of a corporation, its officers, notably, any convictions for drug offences.

6.3 Scope and types of licences

An industrial hemp licence may authorise a person to possess, cultivate or supply industrial hemp for commercial production, use in any manufacturing process, food production or scientific research.¹⁶

There are five types of industrial hemp licences in Tasmania:

- (a) A *licence to supply* provides authorisation to:
 - (i) deliver, sell, trade, give or distribute industrial hemp seed and other plant material: and
 - (ii) possess and store viable industrial hemp seed for commercial purposes.
- (b) A *licence to cultivate* provides authorisation to:
 - (i) possess viable industrial hemp seed;
 - (ii) cultivate industrial hemp from certified seed;
 - (iii) harvest industrial hemp seed and other plant material;
 - (iv) dry harvest industrial hemp seed and other plant material;
 - (v) store harvested industrial hemp material; and
 - (vi) supply industrial hemp seed and other plant material for commercial purposes,

and includes a right to authorise growers to supply industrial hemp seed and plant material to the licensee.

- (c) A *licence to manufacture* provides authorisation to:
 - (i) possess viable industrial hemp seed for processing purposes;
 - (ii) clean and/or treat viable industrial hemp seed to make it non-viable;
 - (iii) clean and/or dehull viable industrial hemp seed, including for food production; and
 - (iv) clean and/or press viable industrial hemp seed, including for food production for commercial purposes.

Viable industrial hemp seed and plant material can only be supplied to a person authorised to possess industrial hemp.

(d) A *licence to research* provides authorisation to supply, cultivate or manufacture industrial hemp as outlined above, for research purposes.

COLIN BIGGERS & PAISLEY

¹⁶ Section 13 of the IH Act.

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(e) A combined licence provides authorisation to undertake multiple activities to supply, cultivate or manufacture industrial hemp under a single licence for research or commercial purposes.

Licences can be issued for a combination of activities. Every year, the licensee must complete an Intent To Grow form. An Intent to Grow form is required to be submitted for each crop prior to sowing. This form details all aspects of the crop, including property details, variety, seed source, date sown and purpose of the crop.

6.4 Licence Period

A licence lasts for up to 5 years and there are no licence fees. The licence holder must only cultivate at the premises described on the licence and Intent to Grow form. A licensee may apply to amend a licence to add new areas.

6.5 Renewal

An application for the renewal of a licence may be made to the Secretary at least 30 days before expiry of the licence and should include such information and particulars as prescribed by the regulations.

6.6 Licences not required in certain circumstances

An industrial hemp licence is not required to possess, manufacture or supply:

- (a) non-viable (incapable of germination and growing) industrial hemp seeds;
- (b) products derived from industrial hemp seeds (e.g. industrial hemp seed oil);
- (c) harvested industrial hemp stalks that have been stripped of their leaves, flowers and seeds; or
- (d) processed products derived from industrial hemp stalks (e.g. textiles, building materials).

A *special licence* is available under section 14 of the IH Act, which authorises a person to possess, cultivate or supply hemp, that is not industrial hemp, for the purpose of scientific research, instruction, analysis or study.

6.7 Transport

There is no reference to transportation requirements or regulations in both the IH Act and IH Regulations. However, the legislation could reasonably be interpreted to read 'supply' as including transportation.

6.8 Breaches of conditions

If the Secretary:

- is satisfied that the licence holder has breached a term or condition of the licence;
 or
- (b) is satisfied that the licence holder is no longer a fit and proper person to hold the licence,

the licence may be suspended or cancelled if the matter is not rectified to the Secretary's satisfaction within one month.

7. Industrial hemp framework in Victoria

7.1 Licensing

Part IVA of the *Drugs, Poisons and Controlled Substances Act 1981* (**DPCSA**) regulates the industrial hemp industry in Victoria.

7.2 Applications for Licences

Licences (authorities) under the DPCSA are issued by Agriculture Victoria, administered by the Secretary of Agriculture Victoria (**Secretary**).

7.3 Scope and types of licences

An industrial hemp authority may authorise a person, for commercial or research purposes relating to non-therapeutic use, to:

- (a) possess, process, sell or supply cannabis seed which has been harvested from low THC cannabis; or
- (b) cultivate and possess cannabis from seed which has been harvested from low-THC cannabis; or
- (c) possess, process, sell or supply cannabis, which:
 - (i) is substantially free of leaves and flowering heads; and
 - (ii) does not contain tetrahydrocannabinol in excess of 0.1 per cent.

Fit and proper persons requirement

Upon receiving an application for an authority, the Secretary may carry out such investigations and inquiries as the Secretary considers necessary to determine the application, including that:

- (a) the applicant is a *fit and proper person to be given an authority*, including whether:
 - (i) the applicant and each associate of the applicant is of good repute, having regard to character, honesty and integrity;
 - (ii) in the case of an applicant that is not a natural person, the applicant has a satisfactory ownership, trust or corporate structure;
 - (iii) the applicant is of sound and stable financial background;
 - (iv) the applicant has any business association with any person or body who or which, in the opinion of the Secretary, is not of good repute, having regard to character, honesty and integrity;
 - (v) each director, partner, trustee, executive officer and secretary and any other person determined by the Secretary to be associated or connected with the ownership, administration or management of the operations or business of the applicant is a suitable person to act in that capacity;
- (b) the applicant intends to undertake bona fide research or commercial activity relating to the non-therapeutic use of cannabis under the authority, including:

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- in the case of research, evidence that the research would be conducted by a person with appropriate scientific training using appropriate methodology; or
- (ii) in the case of commercial activity, evidence of the commercial activity to be carried out.

Matters considered by the Secretary, include the Secretary being satisfied that:

- (a) the applicant or any associate of the applicant has within the 10 years preceding the application not been found guilty of a serious offence;
- the applicant and each associate of the applicant is a suitable person to be concerned in or associated with the cultivation, processing, sale or supply of low-THC cannabis; and
- (c) the applicant's property or premises will be suitable for the cultivation, processing, sale or supply of low-THC cannabis in relation to location, facilities and proposed security arrangements.

7.4 Authority Period

An authority subsists for up to 3 years.

7.5 Conditions

An authority is subject to the terms, conditions, limitations and restrictions specified in it including:

- (a) limitation of each authority to the premises or sites described in it;
- (b) the sources of seed for sowing, including the authentication of the varietal identity and tetrahydrocannabinol content of the crop from which the seed was harvested;
- (c) the implementation and maintenance of satisfactory security and surveillance measures to restrict access of unauthorised persons to crops and harvested material;
- (d) the keeping of certain records and other documents; and
- (e) the provision of information, records or other documents to the Secretary relating to a change in the position of director, manager, secretary or other executive position, however designated or the structure of the business to which the authority relates.

7.6 Renewal

An application for the renewal of a licence may be made to the Secretary at least 30 days before expiry of the licence and should include such information and particulars as prescribed by the regulations.

7.7 Breaches of conditions

If the Secretary:

is satisfied that the licence holder has breached a term or condition of the licence;
 or

Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)

(b) is satisfied that the licence holder is no longer a fit and proper person to hold the licence,

the authority may be suspended or cancelled if the matter is not rectified to the Secretary's satisfaction within one month. In certain circumstances, the Secretary may seize crops, plants or products.

7.8 Transport

There is no reference to transportation requirements or regulations in both the DPCSA. However, the legislation could reasonably be interpreted to read 'supply' as including transportation.

8. Hemp food regulation in other States

For the sake of completeness, we note that the industrial hemp industry is regulated in, New South Wales, South Australia, Western Australia and the Australian Capital Territory by the following Acts:

- (a) Hemp Industry Act 2008 (NSW);
- (b) Industrial Hemp Act 2017 (SA);
- (c) Industrial Hemp Act 2004 (WA); and
- (d) Hemp Fibre Industry Facilitation Act 2004 (ACT).

The regimes in the above states and territories are broadly analogous to the licencing regimes in Queensland, Tasmania and Victoria. The Northern Territory is the only jurisdiction not to permit industrial hemp under a formal regulatory regime. However, we understand that legislation to change this position is being drafted and is expected to be passed in 2019.

It therefore appears that there are no current legislative obstacles to the Company expanding its current growing operations beyond Queensland and Tasmania, provided it obtains the required authorisations in the relevant jurisdiction.

9. Importation and Exportation of Industrial Hemp - Australia

9.1 Hemp food products that can be imported without a licence

The Department of Health has amended controls under the *Customs (Prohibited Imports)* Regulations 1956 (Cth) (**CPI regulations**) pursuant to the *Customs (Prohibited Imports)* (*Importation of Hemp Seeds and Hemp Derived Products)* Approval 2018, to allow certain hemp seed and fibre products to be imported into Australia without requiring a licence and permit under the CPI Regulations, namely:

- (a) hulled hemp seeds;
- (b) hemp seed meal;
- (c) hemp fibre;
- (d) hemp seed oil if the total cannabidiol content of the hemp seed oil is 75mg/kg or less, and
- (e) products containing or consisting of hulled hemp seeds, or ingredients extracted or derived from hemp seeds, provided that:

- (i) they do not contain another drug;
- (ii) they do not contain any part (or extracts) of the cannabis/hemp plant (excluding extracts made from the hemp seeds);
- (iii) the total cannabidiol content is 75 mg/kg or less; and
- (iv) the total THC content is 50 mg/kg or less.

9.2 Cannabis products requiring an import or export licence

Except as set out in paragraph 9.1, under regulation 5 of the CPI Regulations and Regulations 10 and 10A of the *Customs (Prohibited Exports) Regulations* 1958 (Cth) (**CPE Regulations**), a licence is required to import or export all cannabis products into Australia, regardless of THC levels.¹⁷

Importation licences

The person importing the drug must be a holder of:

- (a) a licence to import drugs granted by the Secretary (or an authorised person) (Importation Licence); and
- (b) permission to import the drug granted by the Secretary (or an authorised person) (**Importation Permission**).

Key licence requirements

In order to obtain an Importation Licence, the applicant must:18

- (a) provide all information in writing as requested by the Secretary;
- (b) be a fit and proper person to be granted a licence to import drugs; and
- (c) ensure that the premises on which he proposes to keep the drugs are secure for that purpose.

Exportation licences

The person exporting the drug must:

- (a) be a Licensed Exporter;
- (b) be granted permission by the Secretary (or an authorised person) to export the drug to a specified country (**Exportation Permission**); and
- (c) export the drug to the specified country within three months of being granted an Exportation Permission.

An application to be recognised as a Licensed Exporter must be:

- (a) in writing; and
- (b) lodged with the Secretary.

¹⁷ See Regulations 5(1) and 5(20) and items 34, 35 and 36 of Schedule 4 of the CPI Regulations and Regulations 10 and 10A and items 3, 4, 6 and 8A of Part II of Schedule 8 of the CPE Regulations.

¹⁸ See Regulation 5(7) of the CPI Regulations.

An application for Exportation Permission to export cannabis products must:

- (a) be in writing;
- (b) be lodged with the Secretary;
- (c) state the country to which the drug is to be exported; and
- (d) be accompanied by an authorisation from the appropriate governmental authority of the country to which the drug it to be exported authorising importation of the drug into that country.

10. Qualifications and Assumptions

This legal opinion is based upon the following assumptions and qualifications:

- (a) After completion of the Company's acquisition of ECS, ECS will only operate its hemp business in Queensland and Tasmania, Australia, while the Company's administration will be conducted in Western Australia. Any operations in other domestic or foreign jurisdictions will require compliance with the requirements of that jurisdiction, which may include further licences, permits or authorisations.
- (b) The Company, through ECS, will only purchase, possess, process, produce, supply and deal (or cause any of the foregoing) with cannabis that has a concentration of THC permitted in each state where it operates.
- (c) Third parties engaged in the Company's supply chain will hold all necessary licences, permits and authorisations required to provide services to the Company or ECS pursuant to the business model identified in the Prospectus.
- (d) Employees, officers, directors and agents of the Company have disclosed all material information regarding the operations of the Company and ECS.
- (e) All statements made regarding the business of the Company and ECS in the Prospectus are true and correct.
- (f) All factual matters stated in any document or response provided to us or reviewed by us are true and correct.
- (g) All information provided by employees, officers, directors and agents of the Company and is true and accurate in all material respects and contains no material omissions.
- (h) All factual matters material to the opinions, statements and assumptions expressed in this opinion are reliant on statements from and information provided by the employees, officers, directors and agents of the Company and ECS.
- (i) There has been no historical non-compliance by any member of the Company or ECS with the requirements under its licences, authorisations and permits, and any applicable law or regulation relating to its operations or proposed operations.
- (j) We do not express or imply any opinion as to the laws of any other jurisdiction.
- (k) Our opinion does not consider any change in the facts, law or policy addressed in our opinion. We disclaim any obligation to update this opinion for any change in the facts or law occurring after the date of this opinion that may affect this opinion.
- (I) We have not conducted any searches in any official registry or with any public authorities in relation to any matter, including without limitation, any legal,

governmental or regulatory proceedings pending in relation to any member of the Company and any licences, consents, approvals and permits issued to any member of the Company.

- (m) Any statement made in this opinion that is based on a statement made in the Prospectus is not a confirmation of the truth or accuracy of that statement;
- (n) We have been engaged to prepare this opinion, but have not otherwise been involved in the preparation or issue of the Prospectus.
- (o) This opinion does not express an opinion on any matter requiring skill or expertise of a non-legal nature, including business, operational, commercial, financial, market-related, statistical or accounting matters.
- (p) The statements made and opinions in our letter are based on the knowledge (as to matters of fact not law) of those partners and solicitors of Colin Biggers & Paisley only who have acted for the Company in connection with this opinion. We have not made any inquiries of other partners or solicitors of the firm who may have knowledge acquired in the course of acting on other matters for the Company, ECS or for other clients of the firm.
- (q) The statements made and opinions in this letter are given only to the extent that a law firm, having the role described above, could reasonably be expected to have become aware of relevant facts and to have identified the implications of those facts.

11. Limitations of scope

We are instructed that ECS has applied to the Office of Drug Control for two medical cannabis licences for the cultivation and manufacturing of medical cannabis. However, these are not considered in this opinion, as we are instructed that if granted, these licences would not currently constitute a material facet of ECS' business and the likelihood of the grant of these licences is not currently capable of assessment. Accordingly, it is beyond the scope of this opinion to consider the Company's future plans to evaluate adding a medical cannabis line to ECS' business.

Our opinion herein is limited to the hemp food regulatory regime in Australia, insofar as it applies to ECS' business model described in the Prospectus. We are not engaged to consider the Company's or ECS' broader legal position or any other aspect of the offers under the Prospectus.

12. Opinion

Subject to the Company (through ECS) obtaining and maintaining the requisite licences, permits and approvals set out in paragraphs 5, 6, 7, 8 and 9 of and the Schedule to this letter, including where appropriate, sub-permits for individual consignments of hemp products, the Company will have (after acquisition of ECS) a legal right (through ECS) to operate its proposed hemp foods business in Australia as described in the Prospectus, without legal or regulatory impediments.

Subject to obtaining and maintaining required licences, permits and approvals described herein, the cultivation and/or supply of low-THC hemp is legal in Queensland, Tasmania and Victoria and the sale of low-THC hemp as a food is legal under Australian Federal and State law. Importation and exportation of hemp materials is legal in limited circumstances.

7 May 2019 Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)

Yours faithfully

Brent Van Staden

Partner

Email: brent.vanstaden@cbp.com.au Direct Line: 07 3002 8767



Schedule - Licences

Licence/Licence Application Reference	Issuing Authority & Governing Law	Status	Term	Licence Details
Industrial Hemp Licence (Tasmania) - IH 050 Licenced locations stipulated.	Department of Primary Industries, Parks, Water and Environment - Section 13 Industrial Hemp Act 2015 (Tas)	Granted	6 November 2018 to 3 April 2023	Authorises ECS for commercial purposes relating to non-therapeutic use to:

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7 May 2019 Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)

Licence/Licence Application Reference	Issuing Authority & Governing Law	Status	Term	Licence Details
				 Licensee must obtain industrial hemp seed from person authorised to supply industrial hemp seed. Licensee must only supply industrial hemp material (other than stem material) to person authorised to possess industrial hemp. For cultivation activities - must file a valid <i>Intent to Grow</i> for each season. Licensee must allow Department inspector to take sample of each industrial hemp crop prior to harvest to determine THC concentration and ownership of industrial hemp material must not be transferred until THC test results have been returned. Licensee must destroy any industrial hemp plant regrowth. Licensee must not extract cannabinoids or cannabis oil under this licence, except oil extracted from the industrial hemp seed. Research relating to or for the purpose of the therapeutic use of cannabis is prohibited under this licence.
Industrial Hemp Licence (Tasmania) - IH 051 Licenced locations stipulated.	Department of Primary Industries, Parks, Water and Environment - Section 13 Industrial Hemp Act 2015 (Tas)	Granted	6 November 2018 to 3 April 2023	Authorises ECS for research purposes relating to non-therapeutic use to:

7 May 2019 Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)

Licence/Licence Application Reference	Issuing Authority & Governing Law	Status	Term	Licence Details
				 Department inspector. Licensee must immediately notify police and Department of any theft, loss or unauthorised interference with industrial hemp material. Licensee must ensure licensed location includes secure facilities. Licensee must ensure that the transport of industrial hemp material is conducted in a manner that ensures consignment is protected from theft and spillage. Licensee must keep various records associated with the cultivation, possession, processing, supply, sale, disposal and destruction of industrial hemp for the period of the licence. Licensee must notify the Department of Primary Industries, Parks, Water and Environment within 14 days of any changes to their details. Licensee must obtain industrial hemp seed from person authorised to supply industrial hemp seed. Licensee must only supply industrial hemp material (other than stem material) to person authorised to possess industrial hemp. For cultivation activities - must file a valid <i>Intent to Grow</i> for each season. Licensee must allow Department inspector to take sample of their industrial hemp crop prior to harvest to determine THC concentration and ownership of industrial hemp material must not be transferred until THC test results have been returned. Licensee must destroy any industrial hemp plant regrowth. Licensee must not extract cannabinoids or cannabis oil under
				 this licence, except oil extracted from the industrial hemp seed. Research relating to or for the purpose of the therapeutic use of cannabis is prohibited under this licence.

7 May 2019 Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)

Licence/Licence Application Reference	Issuing Authority & Governing Law	Status	Term	Licence Details
Licence to import and export narcotic, psychotropic and precursor substances (Commonwealth) Import Licence Number: 1921320 Export Licence Number: 1921321 Proposed storage location stipulated.	Department of Health, Office of Drug Control - Regulation 5 Customs (Prohibited Imports) Regulations 1956 (Cth) & Regulation 10 Customs (Prohibited Exports) Regulations 1958 (Cth)	Granted	30 April 2019 to 31 December 2019	Proposed import activity: • 10 tonnes of industrial hemp seed annually. Proposed export activity: • Return of imported hemp seeds (imported under this licence) if deems not fit for purpose. The licences themselves do not authorise the importation or exportation of industrial hemp seeds referred to in the application. A permit to import/export each specific consignment of goods will also be required. Importation Licence The licence obtained by ECS allows it to apply for a Permit to Import prior to the goods arriving in Australia. An application for a Permit to Import should be made at least 20 working days before the goods are due to arrive in Australia and in no case will a permit be issued for goods that have already arrived. Each consignment is subject to the conditions set out in any such Permit to Import and those imposed by Regulation 5 of the Customs (Prohibited Imports) Regulations 1956 (Cth). Exportation Licence The licence obtained by ECS allows it to apply for a Permit to Export prior to the goods being shipped from Australia. An application for a Permit to Export should be made at least 10 working days before the goods are due to be shipped and accompanied by a copy of the corresponding import permit issued by the importing country, where required. Each consignment is subject to the conditions set out in any such Permit to Export and those imposed by Regulations 10, 10A, 10B, 10C, 10D, 10E and 10F of the Customs (Prohibited Exports) Regulations 1958 (Cth).

7 May 2019 Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)

Licence/Licence Application Reference	Issuing Authority & Governing Law	Status	Term	Licence Details
Grower Licence (Queensland) - G095 Licenced locations stipulated.	Department of Agriculture and Fisheries - Part 5B Drugs Misuse Act 1986 (Qld)	Granted	4 April 2019 to 3 April 2022	The licence authorises the licensee, ECS, to perform activities (authorised activities) as stated in Schedule A - Grower Licence Authorisation. The licence identifies the places at which the licensee may carry out the authorised activities under the licence. Schedule A states that pursuant to Section 52 of the <i>Drugs Misuse Act 1986</i> (Qld), the licence authorises the licensee to: • possess industrial cannabis plants and seed; • produce industrial cannabis plants and seed from certified cannabis seed; • to supply industrial cannabis seed to category 1 or category 2 researcher, a grower, or a person authorised under a regulation under section 48 of the Drugs Misuse Act 1986 (Qld); • to possess class A or class B research cannabis seed for use under the supervision of a category 1 or category 2 researcher, as part of a field trial the category 1 or category 2 researcher, as part of a field trial the category 1 or category 2 researcher, as part of a field trial the category 1 or category 2 researcher, as part of a field trial the category 1 or category 2 research is conducting on land owned or leased by the grower; • to supply to a category 1 or category 2 researcher class A or class B research cannabis plants and seed produced on land owned or leased by the grower as part of a field trial conducted under the supervision of the category 1 or category 2 researcher; • to supply industrial cannabis seed to a person who holds a cannabis research licence or a medicinal cannabis licence

7 May 2019 Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)

Licence/Licence Application Reference	Issuing Authority & Governing Law	Status	Term	Licence Details
				under the Narcotic Drugs Act 1967 (Cth), or a person in another State who is authorised under the law of that State to possess cannabis seed that, if grown, will produce cannabis plants with a THC concentration in their leaves and flowering heads that the person in the other State may possess; and if the licensee holds a licence under the Customs Act 1901 (Cth) authorising the licensee to export cannabis, to supply industrial cannabis seed to a person in another country who is authorised under the law of that country to possess the seed; and to supply processed cannabis to a person authorised under a regulation under section 48 of the Drugs Misuse Act 1986 (Qld) to possess processed cannabis.
				Industrial cannabis plant means cannabis plant that has a concentration of THC in its leaves and flowering heads of <1%.
				The Grower Licence remains subject to the conditions provided for in the <i>Drugs Misuse Act 1986</i> (Qld) and <i>Drugs Misuse Regulations 1987</i> (Qld).
				In addition, Schedule C of the licence imposes the following conditions:
				 a) to notify the Department of Agriculture and Fisheries of changes to any details relevant to the licence, including, but not limited to: i. changes to the purpose of applying for a licence and changes to the proposed activities under the licence; ii. changes to the licensed locations, including changes to the security and suitability of a licensed location; iii. changes to ECS' details and addresses; iv. changes to ECS' representative's details; v. changes to ECS' executive officers; and

7 May 2019 Axxis Technology Group Ltd (to be re-named ECS Botanics Holdings Ltd)

Licence/Licence Application Reference	Issuing Authority & Governing Law	Status	Term	Licence Details
	Governing Law			vi. changes to any ECS executive officer's close associates; b) the licensee must notify the Department of Agriculture and Fisheries of any changes relevant to the licence by completing an Application to Amend Industrial Cannabis Licence Form; c) the licensee must submit a Planting Notification Form to the Department of Agriculture and Fisheries within 14 days of planting cannabis seeds; d) the licensee must ensure a copy of the licence is kept at each licensed location; e) the licensee must ensure that any subsequent industrial cannabis plant regrowth is destroyed; f) the licensee must not deal with, prepare or manufacture, cannabis plants or seed, or processed cannabis under this license for use as medicine or therapeutic goods, except so as to supply industrial cannabis seed and seed products to persons duly authorised to possess those items for those purposes; g) during movement, carriage or transport of industrial cannabis plants or seed: i. the cannabis plant material must be transported and held in a secure way that prevents access by unauthorised persons; ii. documentation must be included with each package/consignment which identifies the licence number under which the cannabis plant material was grown; and iii. records must be kept which detail each package/consignment; and h) before a licence expires, the licensee must ensure that cannabis plant material is either supplied to a duly authorised
				person or destroyed.

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Licence/Licence Application Reference	Issuing Authority & Governing Law	Status	Term	Licence Details
				ECS is also subject to each applicable record keeping and notification requirement provided at Schedule D of the licence.

Public Offer Application Form

Axxis Technology Group Ltd

ABN 98 009 805 298

(to be renamed ECS Botanics Holdings Ltd)

PUBLIC OFFER APPLICATION FORM

This Application Form is important. If you are in doubt as to how to deal with it, please contact your professional advisers without delay. You should read the entire Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

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By submitting this Application Form:

- I/we declare that this application is complete and lodged according to the Prospectus dated 10 May 2019, and the declarations/statements on the reverse of this Application Form,
- · I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of Axxis Technology Group Ltd('the Company')



How to complete this form

A Shar

Shares applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 50,000 Shares (\$2,000) or a greater number in multiples of 12,500 Shares (\$500). The Offer Price of the Shares is payable in full on Application.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of \$0.04 per Share. The minimun amount of Application monies is \$2,000 and applications for less than this amount may be rejected.

Applicant Name(s)

Enter the full name you wish to appear on the register of Shares and statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.

CHESS

The Company participates in CHESS. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque, money order or bank draft payble to 'Axxis Technology Group Ltd - ECS Offer Account' in Australian currency and cross it 'Not Negotiable'. Your cheque, money order or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. Please note that funds are unable to be directly debited from your bank account.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented any may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Cash will not be accepted. No receipt for payment will be forwarded to Applicants.

Before completing the Application Form the Applicant(s) should read this Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in the Company is upon and subject to the terms of the Prospectus and the Constitution of the Company, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5:00pm AWST on 21 June 2019. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited

GPO Box 52

MELBOURNE VIC 3001

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your application, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Privacy Statement

Personal information is collected on this form by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Company may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf or to third parties upon direction by the Company where related to their administration of your securityholding, or where you have otherwise agreed we may disclose it. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration		
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith		
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co		
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams		
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <sue a="" c="" family="" smith=""></sue>	Sue Smith Family Trust		
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <est a="" c="" john="" smith=""></est>	Estate of late John Smith or John Smith Deceased		
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <peter a="" c="" smith=""></peter>	Master Peter Smith		
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <john a="" and="" c="" smith="" son=""></john>	John Smith and Son		
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith		
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <abc a="" association="" c="" tennis=""></abc>	ABC Tennis Association		
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <super a="" c="" fund=""></super>	Jane Smith Pty Ltd Superannuation Fund		

Vendor Offer Application Form

Axxis Technology Group Ltd

ABN 98 009 805 298

(to be renamed ECS Botanics Holdings Ltd)

For all enquiries:

Phone:

(within Australia) 08 6559 1792 (outside Australia) +61 (8) 6559 1792



AYG
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

SRN WITHHELD DEC

Vendor Application Form

Your appplication must be received by 5:00pm (WST) on 21 June 2019

Vendors will be issued an allocated number of Shares under the Vendor Offer pursuant to the Term Sheet. Vendors may not apply for Consideration Shares and Performance Rights in excess of the amount specified below.

You should read the Company's Prospectus dated 10 May 2019 before completing this Application Form. In accordance with the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

Consideration Shares:	
Performance Rights:	

The directors reserve the right to make amendments to this form where appropriate. Refer to lodgement instructions overleaf.

This form may not be used to effect a change of address. Please contact the Company on 08 6559 1792 (within Australia) or +61 (8) 6559 1792 (outside Australia).

By submitting this Application Form:

- I/we delcare this Application Form is completed and lodged according to the Company's Prospectus dated 10 May 2019, and the declarations/statements on the reverse of this Application Form;
- I/we delcare that all details and statements made by me/us are complete and accurate; and
- I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

How to complete this form

Vendor Application Form

You must complete and return this Vendor Application Form by no later than 5.00pm (WST) on 21 June 2019. It is not necessary to sign the vendor Application Form.

If you are in any doubt as to how to deal with this document, please consult your Financial or other Personal Advisor.

If you have any enquiries concerning your securities, please contact the Company on 08 6559 1792 (within Australia) or +61 (8) 6559 1792 (outside Australia).

Lodgement of Notice

The Vendor Application Form must be received at the address below by no later than 5.00pm (WST) on 21 June 2019.

Return the Vendor Application Form to:

Computershare Investor Services Pty Limited GPO Box 52 MELBOURNE VIC 3001

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your application, please contact the Company.

Privacy Statement

Personal information is collected on this form by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications.

In addition, the Company may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf or to third parties upon direction by the Company where related to their administration of your securityholding, or where you have otherwise agreed we may disclose it. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

