

ASX ANNOUNCEMENT
ECS Botanics Holdings Ltd (ASX:ECS)
16 January 2023



Quarterly Report for the period ending 31 December 2022

Financial Highlights:

- Quarterly revenue increased to \$4.56m, a 94% increase on the prior quarter
- Cash receipts from customers of \$3.86m, a 51% increase on the prior quarter
- Key milestone of positive quarterly cashflow achieved

Operational Highlights:

- Concluded the sale of Tasmanian business for \$3 million
- Agreement to supply a dried flower vaporizer to Australian market
- Contract for first Australian shipment of oils and flower to Switzerland
- Cultivation and processing facilities continued operations despite Victorian flood event

ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company"), a leading medicinal cannabis company, is pleased to provide the following update on activities for the period ended 31 December 2022 (the 'quarter').

Financial Update

ECS continued to achieve significant growth over the quarter. Receipts from customers of \$3.86m, representing a 51% increase on the previous quarter (Q1 FY2023: \$2.55m) and a 159% increase on the previous corresponding period (Q1 FY2022: \$1.49m). The Company recognised quarterly revenues of \$4.56m, a 94% increase on the prior quarter (Q1 2023: \$2.35m). The 2023 half year revenues equate to 96% of prior full year revenues (FY2022: \$7.18m).

Despite additional abnormal costs caused by the recent flooding event the Company was able to generate net cash from operating activities of \$0.17m. This is a significant milestone and represents a \$0.46 m increase from the prior Quarter (Q1 2022: -\$0.29m) and a \$0.78 m increase on the previous corresponding period (Q1 FY22: -\$0.61m).

ECS continued to invest (Q2 FY2023: \$1.02m) in expanding and enhancing its cultivation and manufacturing facilities to meet the ongoing demand for quality dried flower. These investments included upgrading the flower drying rooms to further increase their capacity and to ensure that all the processing facilities, including drying rooms, meet GMP standards. This is required to meet German regulatory standards. The Company also installed and commissioned two new protective cropping enclosures and commenced construction of another four enclosures which are scheduled to be completed in February 2023.

Investment was made in flood mitigation activities such as the construction of substantial levee banks and plant and equipment. These investments will ensure that the site remains protected from any possible future flood events. The divestment of the Tasmania business and the Food and Wellness business (both loss-making divisions) and the reduction in associated operating costs assisted in offsetting a portion of the flood related expenditure.



Operational Update

Conclusion of the strategy to focus the business on Medicinal Cannabis

As announced to the market on 14th June 2022 the Company set out its strategy to invest for growth using non-dilutive funding and focussing on the Victorian medicinal cannabis operation. All activities relating to this announcement were completed within 6 months, with the conclusion of the sale of the Tasmanian business and assets for \$3.0 million and the finalisation of all activities relating to the Food and Wellness business.

Vaping Product

ECS signed an agreement to import and supply a Smart Inhaler (vape or vaporiser). The inhaler is a volume-management device for medicinal cannabis dried flower. Paired with a proprietary software application, it allows users to carefully control their dosing applications. With cartridges filled with ECS flower at ECS's GMP facility, customers will soon be able to add this product to their medicinal cannabis range.

Switzerland Sales

ECS announced that it was undertaking, what we believe to be, the first shipment of both oils and flower from Australia to Switzerland. This follows the legalising of medicinal cannabis in Switzerland from August 2022 and the signing of a 3-year supply agreement with Medropharm AG.

Subsequent Events

ECS signed an agreement with German company Ilios Santé GmbH to supply a minimum of AUD\$9.9m of GMP manufactured medicinal cannabis products over 3 years. Ilios Santé is based in Frankfurt, Germany. It is a fully licensed wholesaler with the authorisations and permissions to import and distribute narcotics and other pharmaceutical products. The company focus is on the procurement of medical products containing cannabinoids as an alternative medicine. Ilios Santé is part of the Bloomwell Group, which also includes Algea Care, Germany's leading platform for therapy with medicinal cannabis. The German medicinal cannabis market continues to grow strongly, and predicted to legalise adult-use recreational cannabis in 2024 / 2025.

Jeremy King, Chairman, commented: *"It is pleasing to see the high levels of demand for medicinal cannabis products that the Company has been experiencing begin to translate to financial performance. Having successfully refocussed and streamlined the business over the last 6 months, we look forward to continued growth and expansion."*

-ENDS-

About ECS Botanics Holdings Ltd

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

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

For further information, please contact: Alexander Keach, Head of Corporate Relations
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Appendix 4C

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

Name of entity

ECS Botanics Holdings Limited

ABN

98 009 805 298

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,856	6,405
1.2 Payments for		
(a) research and development	(2)	(51)
(b) product manufacturing and operating costs	(2,259)	(4,098)
(c) advertising and marketing	(7)	(10)
(d) leased assets	-	-
(e) staff costs	(1,053)	(2,126)
(f) administration and corporate costs	(382)	(716)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(16)	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	36	323
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	173	(289)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,019)	(1,873)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	3,000	3,250
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,981)	1,377

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(4)	(6)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(4)	(6)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	797	1,865
4.2	Net cash from / (used in) operating activities (item 1.9 above)	173	(289)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,981	1,377
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4)	(6)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,947	2,947

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,947	797
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,947	797

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(192)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		
6.1	Director and consulting fees paid to Directors and/or Director related entities	\$127,958
	Financial management and Company secretary fee paid to Director related entity	\$43,010
	Pharmaceutical and IT consultancy services fee paid to Director related entities	\$21,454

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	800	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	800	-
7.5	Unused financing facilities available at quarter end		800
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	This is an approved commercial loan from NAB capped at \$800,000		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	173
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,947
8.3	Unused finance facilities available at quarter end (item 7.5)	800
8.4	Total available funding (item 8.2 + item 8.3)	3,747
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

Date: 15 January 2023

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

Notes

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