



ASX Announcement

16 January 2024

ECS Botanics achieves record sales

ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company"), a leading medicinal cannabis company, provides an update on activities for the quarter ending 31 December 2023 (Q2 FY24).

Q2 FY24 Financial highlights:

- Record revenue of \$7.3 million, up 78% on prior corresponding period (PCP)
- Receipts from customers of \$6.5 million, up 70% on PCP
- Comfortably funded with \$2.6 million in cash and an undrawn NAB facility of \$2.0 million as at 31 December 2023

Q2 FY24 Operational highlights:

- Successful R&D project leads to an investment in additional heating and lighting in four Protective Cropping Enclosures (PCE). This first stage will increase the yield by 100% in these PCE's as a result of year-round cultivation
- Trial shipment to Ilios Santé Germany completed
- Outdoor cultivation area expanded by 60%, now under cultivation including a dedicated field for CBD biomass

Track record of growing revenue & cash receipts





Financial Update

ECS delivered record quarterly revenue and cash receipts in Q2 FY24. Revenue totalled \$7.3 million, a 78% increase from the prior quarter (\$4.1 million) and a 64% increase on PCP (\$4.5 million). The growth in revenue was driven by increased sales of both oils and flower from existing customers, along with the addition of two new key customers to ECS' client base.

Cash receipts from customers were \$6.5 million, up 62% compared to the previous quarter (\$4.0 million) and up 70% on PCP (Q2 FY23: \$3.9 million). This drove another quarter of positive net operating cash flow, despite the significant investment in the establishment and planting of 25,000m² (60% increase) of additional outdoor fields including irrigation infrastructure.

ECS remains well funded with a cash balance of \$2.6 million as at 31 December 2023, along with a NAB facility of \$2 million which remains undrawn. ECS secured an equipment financing facility with NAB for \$0.5 million, of which \$0.3 million was utilised to fund the heating and lighting project.

Operational Update

Expanded Growing Area

During the quarter, ECS invested in expanding its outdoor cultivation area by 60% to incorporate new fields and a dedicated section for CBD biomass. Plant spacing was also increased to facilitate mechanical foliar spraying and improve productivity. These improvements are expected to significantly increase annual production capacity and further reduce operating costs.



Images of ECS Botanic facility with all fields under cultivation

R&D Project Yields Positive Results

The R&D project in one of the Protective Cropping Enclosures (PCE's) recently concluded, with positive results identifying the optimal lighting and heating conditions necessary for consistent year-round cultivation of cannabis flowers.

The trial, conducted between July and October, assessed heating's effect on yield and potency during colder months, techniques to increase yield and ensure uniformity across batches, and sensors, lighting and climate control devices to optimise temperature and humidity. Some of the techniques that provided positive results have already been implemented to ongoing PCE operations which will deliver a significant increase in yield and hence revenue growth from existing assets.



The R&D project also produced seven new cultivars which went into first commercial production in December. This will further support Customer demands for exclusive cultivars.

As a result of the trial, ECS has confirmed additional funding into lighting and heating for four PCE's, which will be incorporated into a year-round grow cycle. We anticipate a 100% increase in production from these PCE's.

Strong Demand from Customers

During the quarter, several ECS customers experienced significant sales growth and subsequently required additional supply from ECS. For example, New Zealand-based Nubu increased volumes by 50% compared to prior quarter.

In October 2023, as outlined in the Q1 FY24 activities statement, ECS signed a \$24 million binding off-take agreement with Medicann Heath Pty Ltd ("Medicann"), taking effect from January 2024. Medicann maintained solid growth in demand over the quarter, in accordance with our expectations.

In addition to ECS' white label customers, the Company is also producing bulk flower for two other Australian cultivators to supplement their demand.

A trial batch of flower was sent to current customer, Ilios Santé in Germany, during the quarter.

Own Brand Update

Administrative delays in the Australian Therapeutic Goods Administration (TGA) granting a Good Manufacturing Practice (GMP) certificate to the U.S. manufacturer of VESIsorb® has affected the launch timeline for the Avani Rapid CBD capsules. Although the TGA has not provided specific timing guidance, ECS anticipates the launch to occur in Q3 FY24, with production commencing post-certification. ECS' RAP veterans' brand is steadily growing, delivering 86% increase compared to the prior quarter.

Outlook

Commenting on the outlook, ECS Managing Director, Nan-Maree Schoerie said: "We continue to build on our strong start to the financial year, harnessing our strategic positioning as Australia's lowest-cost medicinal cannabis cultivator and manufacturer. Our ability to utilise progressive and innovative cultivation methods to produce EU-GMP quality products produced another record sales quarter.

"The expansion of our cultivation areas and the incorporation of findings from our R&D project are crucial in meeting the increasing demand for ECS' products and will allow us to substantially increase production".

Corporate

During Q2 FY24, ECS reported a positive operating cash flow of \$321,000. Production and manufacturing costs amounted to \$4.55 million. Payments to related parties (\$171,000) under the Section 6.1 of Appendix 4C were made to Director related entities; \$148,154 for Director and consulting fees paid to Directors and/or Director related entities, plus \$19,058 for Company Secretarial, registered office services and a further \$3,617 for Pharmaceutical and IT consultancy services.

Authorised on behalf of ECS Botanic Holding Ltd by Nan-Maree Schoerie, Managing Director.

-ENDS-



About ECS Botanic Holdings Ltd

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

For further information, please contact: info@ecs-botanics.com

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 2023

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	6,536	10,564
1.2 Payments for		
(a) research and development	(29)	(34)
(b) product manufacturing and operating costs	(4,545)	(6,588)
(c) advertising and marketing	(59)	(73)
(d) leased assets	-	-
(e) staff costs	(1,383)	(2,746)
(f) administration and corporate costs	(202)	(614)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	15
1.5 Interest and other costs of finance paid	(4)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	90
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	321	603
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(514)	(858)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	(192)
(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	(514)	(1,050)

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	310	566
3.6 Repayment of borrowings	(49)	(81)
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	261	485

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,510	2,540
4.2 Net cash from / (used in) operating activities (item 1.9 above)	321	603

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(514)	(1,050)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	261	485
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,578	2,578

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	2,578	2,510
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)	2,578	2,510

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	(171)
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	\$148,154
	Company secretarial, registered office services	\$19,058
	Pharmaceutical and IT consultancy services fee paid to Director related entities	\$3,617

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	2,000	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	2,000	-
7.5 Unused financing facilities available at quarter end		2,000
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.	
	NAB has approved an increase in the company's loan from \$800K to \$2 million. The loan is structured with a 12-month interest-only period, followed by an amortization schedule that gradually reduces the balance to \$850K over the subsequent 4 years.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	321
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,578
8.3 Unused finance facilities available at quarter end (item 7.5)	2,000
8.4 Total available funding (item 8.2 + item 8.3)	4,578
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: 16 January 2024

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.