

# ASX ANNOUNCEMENT

## ECS Botanics Holdings Ltd (ASX:ECS)

23 November 2021



### ECS enters into collaborative tolling agreement with Sun Pharmaceutical Industries (Australia) Pty Ltd ("Sun Pharma")

- Sun Pharma will extract medicinal cannabis biomass cultivated by ECS Botanics to produce GMP resin.
- ECS Botanics will supply Sun Pharma with additional biomass for their commercial requirements.
- By leveraging the expertise of each company, this long-term collaboration agreement provides both companies with a strong platform for growth.
- Agreement provides for future collaboration between Sun Pharma and ECS Botanics

**ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company")**, is pleased to announce that its subsidiary company ECS Botanics MC Pty Ltd has entered into a collaborative supply and toll processing agreement, for cannabis biomass extraction, with Sun Pharma an Australian based subsidiary of Sun Pharmaceutical Industries Ltd.

**Sun Pharmaceutical Industries Ltd.** is the fourth largest specialty generic pharmaceutical company in the world with global revenues of over US \$4.5 billion. Supported by more than 40 manufacturing facilities, Sun Pharmaceutical Industries Ltd provides high-quality, affordable medicines, trusted by healthcare professionals and patients in more than 100 countries across the globe.

#### Pursuant to the terms of the agreement:

- A. The parties agreed to a supply tolling agreement which incorporates an offset arrangement, whereby products produced by Sun Pharma (from the supply tolling) are supplied to ECS (at a reduced rate for 2 years) in offset against the purchase price of ECS' 100% owned SepareCo Supercritical CO2 Extractor and ancillary equipment ("CO2 Extractor").
- B. Sun Pharma will install the CO2 Extractor at its Port Fairy pharmaceutical facility and produce GMP decarboxylated winterised resin for ECS Botanics at a reduced rate. The purchase price payable by ECS for the resin, as part of an offset arrangement, will be deducted against the total purchase price of the CO2 Extractor (\$1.23 million) (see paragraph F below). Sun Pharma will also produce resin for its own use and that of other third parties.
- C. ECS agrees to supply a minimum committed volume (600kg to 1750kg) of cannabis biomass over a five year period, from which Sun Pharma will produce the resin for ECS.
- D. In addition Sun Pharma agrees to purchase, and ECS agrees to supply, not less than 55% of Sun Pharma's annual cannabis biomass requirements. Sun Pharma's actual biomass requirements (and the timing of such requirements) are not yet certain. However, based on indicative volumes (which are not binding on Sun Pharma) this equates to potential total revenues for ECS over the first five years of the agreement of between (approx.) \$6.6m and \$9.8m (total), subject to quantity and yield of the biomass supplied to Sun Pharma.
- E. The resin produced will be used in the formulation of final dose form medicinal cannabis products.
- F. Once 75% of the CO2 Extractor value (being approx. \$922,000) has been offset by the value of the resin received by ECS from Sun Pharma (referred to in paragraph B above), the final 25% of the CO2 Extractor value (being approx. \$307,000) will be paid in cash by Sun Pharma to



ECS. This amount must be paid within 2 years from commencement of the tolling arrangements.

- G. The term of the agreement is up to ten years with commercially standard termination provisions. There are no conditions that need to be satisfied in respect of the arrangement.
- H. There are no changes to the ECS Board as a result of the arrangement.

This collaboration allows ECS Botanics, as a leading Australian cultivator and medicinal cannabis producer, to partner with a global leading pharmaceutical company who can provide ECS Botanics with a specialised outsourced extraction service. This agreement provides Sun Pharma with the opportunity to enter the Medicinal Cannabis manufacturing industry with a strong 'anchor' client, ensuring Sun Pharma a supply of cost effective GACP grown biomass to accelerate the development of Sun Pharma's medicinal cannabis product line.

The agreement is significant to ECS because based on the minimum committed volumes, excluding the offset payments, the manufacturing cost of ECS oils will reduce by an estimated \$2.5m over the first five years of the agreement. In addition, ECS will potentially earn significant revenues from the sale of biomass to Sun Pharma as detailed in paragraph D above.

Through the arrangement, ECS has freed up \$1m of capital which was previously set aside for the installation of the CO2 Extractor. This capital saved by ECS as a result of the agreement will be diverted for further investment in cannabis cultivation and dried flower production capacity.

**Executive General Manager, Nan-Maree Schoerie commented:** *"I have an enormous amount of respect for the Sun Pharma team, and I am delighted to have them as an integral partner in our supply chain, as well as, as a customer. This aligns perfectly with our strategy to form partnerships with companies with strong pharmaceutical credentials. Medicinal Cannabis is a relatively young industry and engaging with a partner with years of GMP manufacturing expertise is good for patients. Both companies aim to deliver high quality, affordable medicinal cannabis products."*

Implementing this collaboration will allow ECS Botanics to maintain its asset light model and further encourage customers to purchase affordable locally grown and manufactured medicinal cannabis oils, as demonstrated by ECS Botanics with the supply of premium dry flower for inhalation.

**Managing Director, Alex Keach says:** *"This arrangement positions ECS Botanics to capture a greater share of the existing medicinal cannabis oil market in Australia and overseas. Furthermore, partnering with a globally significant company is encouraging for ECS Botanics' major expansion plans to drive revenue growth and continually lower production costs"*

**-ENDS-**

### **About ECS Botanics Holdings Ltd**

*ECS Botanics Holdings Ltd is a leading medicinal cannabis and hemp business. The company owns farms and medicinal cannabis facilities in Tasmania and Victoria for the cultivation, processing, and manufacturing of medicinal cannabis. ECS manufactures to EU GMP standards and also has the necessary licences to cultivate and manufacture medicinal cannabis for the wholesale extract, final dose and premium dry flower market. ECS cultivates hemp for the wholesale market and its retail food and*



*wellness brand, while having obtained all the necessary licences to grow, supply and manufacture. ECS' core focus is scale and low-cost production, without compromising quality.*

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Authorised on behalf of ECS by Alex Keach, Managing Director