

ASX ANNOUNCEMENT
ECS Botanics Holdings Ltd (ASX:ECS)
26 April 2023



Quarterly Report and Highlights for the period ending 31 March 2023

Financial Highlights:

- Quarterly receipts from customers were \$4.37m, 13% up from the previous quarter (Q2 FY2023: \$3.86m) and 265% increase on previous corresponding period (Q3 FY2022: \$1.21m).
- Revenues for the quarter were \$3.78m, 86% increase on the previous corresponding period (Q3 FY2022: \$2.03m). March sales were a record \$2.41m, 36% higher than any prior month.
- Net operating cash flow of -\$0.47m reduced by \$1.09m or 69% from the previous corresponding Quarter (Q3 FY2022: -\$1.56m) .
- Net cash used in operating activities included \$1.03m deposits paid to contract manufacturers for product to be sold in the final quarter of 2023.

Operational Highlights:

- Record harvest commenced in January and will be completed in May.
- The Company secured an agreement with German company Ilios Santè GmbH to supply a minimum of AUD\$9.9m of GMP manufactured medicinal cannabis products over 3 years.
- Successful EU GMP audit a pre-requisite to supply to Germany.
- Improvements in cultivation and genetics results in record terpene levels.
- Increased solar generation by 70kW.
- ECS launching its own brand to support military veterans.

ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company"), a leading medicinal cannabis company, is pleased to provide the following updates on activities for the period ended 31 March 2023 (the 'quarter').

Financial Update

ECS continues to achieve significant growth with quarterly receipts from customers of \$4.37m, representing a 13% increase on the previous quarter (Q1 FY2023: 3.86m) and a 265% increase on the previous corresponding period (Q3 FY2022: \$1.21m). These receipts were supported by revenues recognised during the quarter of \$3.78m, an increase of 86% on previous corresponding period (Q3 FY2022: \$2.03m), but down 17% on the prior quarter primarily due to the impact of the recent floods in the Loddon River area.

The Company achieved record monthly sales in March of \$2.41m, 36% higher than any prior month in the Company's history.

Due to the quarter being the busiest harvest quarter, resources were increased to support the harvest and post-harvest processes. Harvest levels are higher than last year and will conclude in late May.

Due to the significant increase in order volumes the Company has invested \$1.03m in deposits with contract manufacturers to ensure we are able to meet the demand for oils and flower in the final quarter of FY2023. Given the seasonal nature of the operation, ECS is also building inventories for the first two quarters of FY2024.



The Company made the final \$0.52m investment in 6 new protective cropping enclosures all of which are now in operation. The Company also expanded its solar power generation by a further 70kW during the quarter. The installation is completed. This was funded through equipment finance and government rebates.

Operational Update

Strategic Partnership

ECS has partnered with a Melbourne based Contract Manufacturer, to undertake its flower packaging. This will result in reduced costs due to the ability to ship directly from the Melbourne facility to our customers. As a result, our partner is investing in packaging automation thereby further lowering the cost of packaging as well as reducing logistics time and costs for both ECS and our customers.

German Sales

ECS signed an agreement with Germany company Ilios Santé GmbH to supply a minimum of AUD\$9.9m of GMP manufactured medicinal cannabis products over 3 years. Ilios Santé is a fully licensed wholesaler with the authorisations and permissions to import and distribute narcotics and other pharmaceutical products. To qualify to supply product to Germany, ECS was successfully audited by a third-party German Qualified Person (QP) to ensure that our products meet EU GMP. This is a higher standard than what is required by the Australian TGA, and the success of this audit highlights the superior quality standards of ECSs production of medicinal cannabis flower.

Building Expertise

David Marr joined ECS at the start of the quarter. David previously ran a mid-sized privately owned Cannabis facility in Humboldt, California for several years. He has successfully grown cannabis in similar methods to those deployed by ECS. His knowledge and expertise has already had an impact on ECS's production yields. ECS has also appointed Bryant Mason (aka The Soil Doctor) to the ECS Technical Advisory board. Bryant is engaged by over 20 US cannabis cultivators to provide consulting services. Having Bryant and Tad Hussey on its advisory board gives ECS access to some of the most respected experts in Cannabis Cultivation. As a result of the substantial cultivation IP that ECS is developing, laboratory results have indicated record elevated levels of terpenes in ECS flower (>3.2%). This is a direct result of the impact of genetic development and growing Cannabis in soil, under the sun.

Australian Grown

ECS has been granted approval to display the Australian grown logo on products. This is important to our customers, many of whom wish to support local cultivators.

Subsequent Events

ECS will be launching its own brand "RAP Med" of medicinal cannabis for Military Veterans after Anzac Day. The products will be discounted for veterans including those not yet covered by the Department of Veteran Affairs (DVA).





Outlook

ECS continues to experience substantial and -growing demand for its products. As a result, ECS will be trialling ways to extend the growing season, during the current off season. Indications are that, if the trials prove successful, ECS will also be able to achieve even higher yields.

-ENDS-

About ECS Botany Holdings Ltd

ECS Botany 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:

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 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,374	10,779
1.2 Payments for		
(a) research and development	(10)	(61)
(b) product manufacturing and operating costs	(2,938)	(7,036)
(c) advertising and marketing	(15)	(25)
(d) leased assets	-	-
(e) staff costs	(1,613)	(3,739)
(f) administration and corporate costs	(227)	(943)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(41)	(57)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	323
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(470)	(759)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(515)	(2,388)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	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	(515)	862

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	168	168
3.6	Repayment of borrowings	(16)	(22)
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	(152)	(146)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	2,947	1,865
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(470)	(759)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(515)	862
4.4	Net cash from / (used in) financing activities (item 3.10 above)	152	146
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,114	2,114

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	2,114	2,947
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)	2,114	2,947

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	(190)
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	\$153,301
	Financial management and Company secretary fee paid to Director related entity	\$22,303
	Pharmaceutical and IT consultancy services fee paid to Director related entities	\$14,827

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)	(470)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,114
8.3 Unused finance facilities available at quarter end (item 7.5)	800
8.4 Total available funding (item 8.2 + item 8.3)	2,914
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.2
<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: 26 April 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.