



ECS Botanics Holdings Limited June 2020 Appendix 4C Commentary

ECS Botanics Holdings Ltd (ASX: ECS or Company) is pleased to provide a report on the Company's activities for the period ended 30 June 2020.

Operational update

During the quarter ECS successfully completed its second hemp harvest across the ECS farm and its network of contract growers. The harvested product was successfully processed through the TapAgrico facility, 28.4% owned by ECS.

ECS now holds approximately 200 tonnes of hemp seed in storage facilities, positioning the Company well to supply the wholesale market while having ample raw material to meet its retail contracts.

ECS has experienced relatively limited impact due to COVID-19, with the agriculture and food sectors among the least affected by the pandemic.

During the relevant period ECS continued to progress its medicinal cannabis project, working closely with leading consultancy group Pharmout. As part of this process, during the quarter the Company submitted a planning application for its medicinal cannabis site. Subsequent to quarter end, this permit was awarded. The Company will update the market as its medicinal cannabis strategy evolves.

ECS participated in the submission process to the Therapeutic Goods Administration (TGA) regarding proposed amendments to the poison's standard and re-scheduling of CBD.

In further advances for the sector, during May the Australian Government passed the Export Control Legislation Amendment (Certification of Narcotic Exports) Bill through the senate, improving access to global markets for the medicinal cannabis and hemp industries. The New Zealand Recreational cannabis referendum in September 2020 is also expected to add momentum to the sector.

During May, ECS announced that it had signed a non-binding collaboration agreement with Essential Oils of Tasmania (EOT), a fully integrated Tasmanian natural products business supplying global leaders in flavor, fragrance and aromatherapy, having developed a quantity of IP and expertise which is highly complementary to ECS' business strategy.

The agreement sets out a strategic framework for both companies to:

- Fast-track development and capitalise on commercial opportunities in the hemp seed oil, cannabinoid and terpene sectors
- Pursue strategic research and development programs to develop finished products that incorporate Tasmanian hemp and essential oils

Financials

During the quarter ECS banked cash receipts of \$186k, while total sales revenue for the period grew to \$364k, largely due to the sale of ECS soup products to Just Foods for distribution in Woolworths stores. The company held a cash balance of \$1.9m as at 30 June 2020.

The table below illustrates the expenditure comparison against the 'use of funds table' in the Prospectus dated 10 May 2019.

Use of Funds	Maximum Subscription (\$) (\$6.5m) Raised	Actual amount spent (\$) in the quarter ended 30 June 2020	Actual amount spent (\$) year to date
Purchase hemp from farmer	1,050,000	311,146	513,646
Processing and Manufacturing	925,000	191,148	871,697
Business development and marketing	250,000	49,947	179,773
Farming costs, leasing and commercial farming trials	210,000	5,375	74,688
Seeds – general planting stock	120,000	-	121,680
Infrastructure and storage investment (including purchase of leased property in the event of Maximum Subscription)	1,500,000	-	1,516,000
Medical cannabis (feasibility study & consulting)	100,000	24,168	89,212
Administration Costs	1,450,000	288,683	1,582,548

Capital raising

Subsequent to the end of the quarter ECS announced it had raised \$600,000 through the placement of ~34.3 million shares at an issue price of \$0.0175 per share to sophisticated and professional investors.

In addition, ECS intends to undertake a Share Purchase Plan (SPP) to raise an additional \$250,000 on the same terms as the placement.

ECS will use proceeds of the capital raising to commercialise and accelerate its retail and wholesale hemp food business, develop new products, accelerate its medicinal cannabis strategy and provide additional working capital to support the growth of the company.

CORPORATE

Release from Escrow

ECS advised that 70,438,570 fully paid ordinary shares were released from escrow on 11 July 2020, pursuant to Listing Rule 3.10A.

The following table sets out the information as required by ASX Listing Rule 5.3.5 regarding payments to related parties of the entity and their associates:

Payments to Related Parties & their Associates	Total Amount
Director Fees and Superannuation	\$69,761
Rental Office Payments	\$7,200
Company Secretarial, Registered Office and Financial Management Services	\$29,325

About ECS Botanics

ECS Botanics is an agribusiness and hemp food company, cultivating (own and contract growers) and processing hemp for the wholesale market and its own retail food brand. The company's main operations are conducted in Tasmania, Australia. ECS has the necessary licences to cultivate, supply and manufacture industrial hemp in Tasmania as well as a grower licence in Queensland. ECS holds import and export licences with the Office of Drug Control (ODC) as well as having been granted licences for the cultivation and manufacture of medicinal cannabis. ECS owns a farm in Tasmania for commercial cultivation of hemp, research and as the site of its next generation approach to medicinal cannabis. ECS owns a strategic stake in TapAgrico for the logistics, drying and storage of hemp seed.

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Authorised on behalf of ECS by Alex Keach, Managing Director

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")

30 June 2020

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	186	484
1.2 Payments for		
(a) research and development	(35)	(61)
(b) product manufacturing and operating costs	(532)	(1,606)
(c) advertising and marketing	(15)	(119)
(d) leased assets	-	-
(e) staff costs	(200)	(730)
(f) administration and corporate costs	(89)	(917)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	53	64
1.9 Net cash from / (used in) operating activities	(631)	(2,885)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(1,516)
(d) investments	-	(696)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(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)	-	952
2.6	Net cash from / (used in) investing activities	-	(1,260)

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	-	(526)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(2)
3.10	Net cash from / (used in) financing activities	-	(528)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,530	6,572
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(631)	(2,885)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(1,260)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(528)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,899	1,899

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	1,899	2,530
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)	1,899	2,530

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

(106)

-

Director fees paid to a Director related entity \$69,761

Financial Management and Company Secretary fees paid to a Director related entity \$29,325

Office lease rental fees paid to a Director related entity \$7,200

7. Financing facilities

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

-

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.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

(631)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

1,899

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

1,899

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

3

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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:

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:

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:

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: 29 July 2020

Authorised by: The Board of ECS

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.