

Company Update

ECS Botanics Holdings Ltd (ASX: **ECS** or **Company**) is pleased to provide a general Company update.

Production & Processing

Following a successful harvest in Tasmania in March 2019, ECS Botanics has processed and continues to process hemp seed into a range of products. The seed has been dehulled to produce hemp hearts, pressed to produce hemp seed oil and milled into protein powder and flour.

These products are available as raw materials for the wholesale market and food services market, with ECS possessing an ability to pack the material in quantities from 5kg up to 1000kg for both retail and wholesale consumption. These products are also required for input into the majority of the ECS Botanics retail product range.

Through its recent investment in Tasmanian agriculture infrastructure company, TapAgrico, the Company has acquired the ability and capacity to process, dry, clean, grade, store and distribute its cultivation of hemp seed. TapAgrico also has an Australian Quarantine and Inspection Service (AQIS) export packing facility, should ECS begin to export its product overseas.

Farm & Cultivation

In accordance with the prospectus lodged in connection with its recent IPO, ECS shall now execute its call option to acquire its key production asset, the 44.62 hectare Tasmanian hemp farm, for \$1.44m. Due to favourable growing conditions, climate and irrigation, Tasmania is the pre-eminent Australian location for the production of high-quality industrial hemp, and the farm is at the heart of ECS's Australian operations. As well as possessing two centre pivot irrigators and the necessary water license, the farm is also the proposed site of ECS medicinal cannabis cultivation & manufacturing facility.



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ECS's Queensland hemp production was not of commercial quality or quantity due largely to unseasonal frosts. While the Company will continue to assess Queensland as a potential cultivation hub, in the near-term this has reinforced the Company's core focus on Tasmania. ECS has ample supply of hemp seed until its next harvest in Tasmania. In addition, ECS intends to increase its cultivation in Tasmania materially over the next 12 months, with contract farmers to be engaged for the majority of this increased cultivation.

Sales & Distribution

In addition to the distribution agreement recently announced with Eden Foods, several smaller sales/distribution agreements have been secured with more significant agreements and updates expected in the near term.

Sales of ECS retail food products have commenced through the website and in select FoodWorks, Supabarn and Farmer Joe's stores. Wholesale orders have begun and are expected to increase as ECS focuses on building out its sales team.

The Company continues to build its sales and marketing resources with the key appointment of a national sales manager being confirmed. This key resource is a seasoned FMCG expert who has led the account management into Woolworths and Coles of one of Australia's largest and most iconic food brands. Further appointments over the coming months will include key hires to build sales volumes in the food services and wholesales sectors. The sales team is focussed on driving sales of both retail and wholesale products.



Medicinal Cannabis Licence applications

ECS continues to engage in dialogue with the Federal Office of Drug Control (**ODC**) in respect of the Company's two medicinal cannabis licence applications (cultivation and manufacturing). While it would be inappropriate to estimate when decisions will be reached, ECS management is confident that the process for each of these licenses has progressed significantly.

As the ECS business matures, management is meeting with key stakeholders to discuss its hemp and medicinal cannabis business. As the largest hemp growing state, with a history of producing plant-based pharmaceuticals, Tasmania is well placed to develop the most vibrant medicinal cannabis industry in Australia.

R&D, Other

ECS has recently:

- signed an agreement with Cannim Group Pty Ltd (**Cannim**), an integrated medicinal and wellness company with farms in both Queensland and Jamaica, backed by a team of experts from Australia, Israel, USA, Europe and Jamaica. Cannim holds an industrial hemp research license in Queensland and is cloning and testing the expression of plants in its Queensland facility. Under the agreement ECS has supplied Cannim with a range of seed varieties, is granted access to the facility, the data and has agreed to future sharing of any ensuing plant breeder rights and seed bank for the purpose of building up commercial quantities of seed.
- announced last week, signed a memorandum of agreement with Caason Group allow both companies to share learnings and to fast track development in regard to varieties and leading edge agronomy.
- announced last week, ECS's MOU with Disruption Labs/Reset BioScience allows ECS the flexibility to become a US facing business via a white label arrangement and be at the forefront of leading CBD products and technology.
- become a non-exclusive sales agent for Canadian varieties supplied by Hemp Genetics International, including varieties CFX, Katani and Piccolo, which are suited to growing in Tasmania.

Corporate

The hemp and medicinal cannabis industry in Australia is a burgeoning and fast growing one. The Company regularly reviews opportunities within the sector. However, the Board remains focussed on ensuring any corporate activity delivers strategic and financial value to the overall ECS business and its shareholders.

Alex Keach, the Managing Director of ECS, commented:

"ECS is well on the way to becoming a diversified hemp and cannabis company. Similar to what has happened in the United States through the Farm Bill, we believe similar enabling legislation in Australia would open up the industrial hemp industry in general and put Australia on an equal footing with many other countries, which in turn would provide an enormous export opportunity."

"The ECS business model is of scale and diversification, which offers great synergy and complementary outcomes for the business. We're promoting an intuitive culture within the Company, positioning ourselves for where we see the market moving rather than where it currently sits, and for this reason we believe the business has an exciting future as hemp and cannabis becomes more mainstream and widely accepted globally."

About ECS Botanics

ECS Botanics is an agribusiness and hemp food (wholesale and retail) company with its main operations conducted in Tasmania, Australia. ECS has the necessary licenses to cultivate, supply and manufacture industrial hemp in Tasmania as well as a grower license in Queensland. ECS holds Import and Export licenses with the Office of Drug Control (ODC) as well as having license applications pending with the ODC to cultivate and manufacture medicinal cannabis.

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