

ASX APPENDIX 4D

ECS BOTANICS HOLDINGS LIMITED

ABN 98 009 805 298

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

(Previous corresponding period is the period ended 31 December 2018)

KEY INFORMATION	31-Dec-19	31-Dec-18	% Change
	\$	\$	
Revenue from ordinary activities	254,681	2,047	99.20
Loss from ordinary activities after tax attributable to members	(3,930,546)	(269,117)	(93.15)
Net loss attributable to members	(3,930,546)	(269,117)	(93.15)

DIVIDEND INFORMATION

No dividend has been proposed or declared.

NET TANGIBLE ASSETS PER SECURITY

	31-Dec-19	31-Dec-18
Net tangible assets per security	0.01	0.54

EARNINGS PER SHARE

	31-Dec-19	31-Dec-18
	Cents	Cents
Basic earnings per share	(0.81)	(0.57)
Diluted earnings per share	(0.81)	(0.57)

CONTROL GAINED OR LOST OVER ENTITIES IN THE PERIOD

During the period ended 31 December 2019, ECS Botanics Pty Ltd, acquired AXXIS Technology Group Limited through a reverse asset acquisition. The Group also has significant influence over Tasmanian Agricultural Producers Pty Ltd through its 28.4% interest.

There have no losses of control over entities in the period ended 31 December 2019.

Refer to the Directors Report for an explanation of the operational and financial results of the Company.

This report is based on, and should be read in conjunction with, the attached financial report for the half-year ended 31 December 2019 for ECS Botanics Holdings Limited, which has been audited by BDO (WA) Pty Ltd.

The half-year report is to be read in conjunction with the 30 June 2019 Annual Report.

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(FORMERLY AXXIS TECHNOLOGY GROUP LTD)

ABN 98 009 805 298

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2019

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DIRECTORS' REPORT

The Directors of ECS Botanics Holdings Limited ("ECS" or "the Company") present their report, together with the financial statements, on the Company for the half-year ended 31 December 2019.

It is recommended that the Directors' Report be read in conjunction with any public announcement made by the Company during the period and up to the date of this report.

DIRECTORS

The names of the Company's Directors who held office during the period and until the date of this report are set out below. The Directors were in office for this entire period unless otherwise stated.

Director	Position	Duration of Appointment
Mr Alexander Keach	Managing Director	Appointed 11 July 2019
Mr David McCredie	Non-Executive Director	Appointed 11 July 2019
Mr Michael Nitsche	Non-Executive Director	Appointed 26 March 2019
Mr Jeremy King	Non-Executive Director	Appointed 11 January 2017
Mr Justyn Stedwell	Non-Executive Director	Appointed 30 March 2016, Resigned 11 July 2019

PRINCIPAL ACTIVITIES

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 proposed site of a medicinal cannabis facility. ECS owns a strategic stake in TapAgrico for the logistics, drying and storage of hemp seed.

REVIEW OF OPERATIONS AND ACTIVITIES

ECS Botanics Holdings Ltd (formerly Axxis Technology Group Ltd) ("ECS or the Company") commenced trading on Australian Securities Exchange (ASX) on 22 July 2019 following an oversubscribed \$6.5m recompliance capital raising. ECS' vision is to establish a leading industrial hemp and medicinal cannabis company, with the aim to obtain and maintain the necessary licences granted to cultivate, manufacture and supply hemp food and medicinal cannabis products throughout Australia.

ECS achieved major milestones during the period, including its grant of a Manufacture Licence by the Australian Federal Government's Department of Health Office of Drug Control (ODC) for medicinal cannabis operations at its site in Tasmania. The licence, in addition to subsequent permits, allows ECS to undertake authorised activities for specified drugs (extracts and tinctures of cannabis and cannabis resin) upon development of its proposed medicinal cannabis facility at the site.

The Company was subsequently granted a Cultivation Licence by the ODC in December, which allows ECS to undertake cultivation of cannabis plants, produce cannabis and cannabis resin and associated activities. These licences are valid until November and December 2020 respectively, but based on dialogue with the ODC, ECS expects to be able to extend them beyond these initial terms.

In other developments, in August, ECS announced a strategic investment into Tasmanian Agricultural Producers Pty Ltd (TapAgrico), a strategically located grain handling, marketing, storage and export packing facility in the northern midlands of Tasmania. The investment from ECS helped fund the purchase of key

DIRECTORS' REPORT

infrastructure including a hemp seed dryer, storage and handling equipment to underpin the expansion of ECS' cultivation.

ECS invested an initial \$750,000 in TapAgrico for a 28.4% stake in the business and was granted a call option to increase this stake to 34.6% on the same terms (assuming no changes to TapAgrico's share structure).

In addition, ECS signed a retail food distribution agreement with Eden Foods for its range of retail food products, through which Eden Foods would offer ECS' products including hemp hearts, hemp seed oil, capsules, curry sauces, soups and protein mixes to its network of retailers in Tasmania.

In September, ECS signed a non-binding Memorandum of Understanding (MOU) with Disruption Labs LLC (Disruption Labs) focused on innovative cannabinoid (CBD) products and technologies. The MOU aims for ECS and Disruption Labs to form a preliminary business relationship, to investigate opportunities to sell, distribute and import CBD products in Australia and the Asia Pacific region in the future.

ECS signed a Memorandum of Agreement (MOA) with Caason Investments Pty Ltd (Caason), announced in September 2019. The companies agreed to collaborate on research and development with respect to varieties, harvesting and processing of industrial hemp, establish agreements to facilitate information sharing and key learnings with respect to industrial hemp farming, and develop opportunities for domestic and export markets for the sale of hemp food products.

On 31 October 2019, ECS signed an exclusive three-year distribution agreement with Just Foods Australia Pty Ltd (JFA). In November, ECS announced JFA had secured the distribution of ECS Botanics' 250ml Hemp Seed Oil product into 850 Woolworths stores. ECS' first hemp oil order for Woolworths stores was dispatched to its supply chain logistics provider on 17 January 2020 and is now in store nationally.

Following this, in January, ECS announced JFA had secured distribution into Woolworths for ECS Botanics Mexican Spiced Bean Soup with Hemp and Indian Masala Lentil Soup with Hemp, with ranging expected to occur in March.

First cash receipts from JFA, for Woolworths stocked products, are expected in the March 2020 quarter.

During January, the Company successfully sowed its crops on its own farm and via contract growers, which germinated successfully.

ECS engaged leading medicinal cannabis consultancy group PharmOut as it pursues development of the proposed medicinal cannabis facility in Tasmania.

FINANCIAL RESULTS

The financial results of the Company for the half year ended 31 December 2019 are:

	31-Dec-19	30-Jun-19
Cash and cash equivalents (\$)	3,001,951	962,808
Net assets (\$)	5,673,660	1,008,736

	31-Dec-19	31-Dec-18
Net loss after tax (\$)	(3,930,546)	(269,117)
Earnings/(Loss) per share (cents)	(0.81)	(0.57)

DIRECTORS' REPORT

EVENTS OCCURRING AFTER REPORTING DATE

There has been no matter, or circumstance, that has arisen since the half-year ended 31 December 2019, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors.



Alexander Keach
Managing Director
27 February 2020

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ECS BOTANICS HOLDING LIMITED

As lead auditor for the review of ECS Botanics Holding Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of ECS Botanics Holding Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 27 February 2020

ECS BOTANICS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31-Dec-19 \$	31-Dec-18 \$
Revenue	3	254,681	2,047
Cost of goods sold		(247,781)	(39,148)
Depreciation and amortisation		(4,124)	(66)
Marketing expenses		(50,062)	(299)
Occupancy expenses		(7,186)	(533)
Administration		(180,906)	(33,206)
Director fees		(56,903)	-
Professional fees		(109,103)	(102,519)
Legal fees		(48,708)	(9,565)
Consulting and corporate advisory fees		(264,484)	(85,491)
Compliance and regulatory expenses		(136,727)	(338)
Wages and superannuation		(290,471)	-
Listing fees	4	(2,431,489)	-
Share based payment expense	5	(220,574)	-
Share of losses of Tasmanian Agricultural Producers Pty Ltd	14	(136,710)	-
Loss before income tax for the period		(3,930,546)	(269,117)
Income tax expense		-	-
Loss after income tax for the period		(3,930,546)	(269,117)
Total comprehensive loss for the period attributable to members of ECS Botanics Holdings Limited		(3,930,546)	(269,117)
Loss per share for the period attributable to the members of ECS Botanics Holdings Limited:			
Basic and diluted loss per share (cents)	13	(0.81)	(0.57)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

ECS BOTANICS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31-Dec-19 \$	30-Jun-19 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	3,001,951	962,808
Trade and other receivables	7	257,956	81,760
Inventories	8	488,668	81,550
Total Current Assets		3,748,575	1,126,118
Non-Current Assets			
Plant and equipment	9	1,492,087	41,781
Loan receivables		-	7,230
Investments accounted for using the equity method	10	613,290	-
Total Non-Current Assets		2,105,377	49,011
TOTAL ASSETS		5,853,952	1,175,129
LIABILITIES			
Current Liabilities			
Trade and other payables	11	134,683	124,467
Borrowings		2,103	13,246
Provisions		43,506	28,680
Total Current Liabilities		180,292	166,393
TOTAL LIABILITIES		180,292	166,393
NET ASSETS		5,673,660	1,008,736
EQUITY			
Issued capital	15	10,230,396	1,855,500
Reserves	16	220,574	-
Accumulated losses		(4,777,310)	(846,764)
TOTAL EQUITY		5,673,660	1,008,736

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

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ECS BOTANICS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
At 1 July 2019	1,855,500	-	(846,764)	1,008,736
Loss for the period	-	-	(3,930,546)	(3,930,546)
Total comprehensive income/(loss) for the period after tax			(3,930,546)	(3,930,546)
Initial public offering (net of costs)	6,071,253	-	-	6,071,253
Facilitation shares	400,000	-	-	400,000
Consideration shares	1,903,643	-	-	1,903,643
Options issued	-	220,574	-	220,574
Balance at 31 December 2019	10,230,396	220,574	(4,777,310)	5,673,660
At 1 February 2018 (date of incorporation)	-	-	-	-
Loss for the period	-	-	(269,117)	(269,117)
Total comprehensive income/(loss) for the period after tax	-	-	(269,117)	(269,117)
Contributions of equity	100,500	-	-	100,500
Shares issued to initial owners	1,755,000	-	-	1,755,000
Balance at 31 December 2018	1,855,500	-	(269,117)	1,586,383

The Consolidated Statement of Changes in Equity should be read
in conjunction with the notes to the financial statements.

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ECS BOTANICS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31-Dec-19	31-Dec-18
	\$	\$
Cash flows used in operating activities		
Receipts from customers	74,305	-
Payment to suppliers and employees	(1,913,395)	(365,964)
Interest received	4,180	2,047
Interest paid	-	-
Net cash flows used in operating activities	(1,834,910)	(363,917)
Cash flows from investing activities		
Loan repayment	7,230	-
Payments for property, plant and equipment	(9,753)	(17,500)
Payments for land & buildings	(1,444,677)	-
Payments for investments	(750,000)	-
Net cash flows used in investing activities	(2,197,200)	(17,500)
Cash flows from financing activities		
Proceeds from the issue of shares (net of costs)	6,071,253	1,855,500
Borrowings received	-	18,560
Net cash flows provided by financing activities	6,071,253	1,874,060
Net increase/(decrease) in cash and cash equivalents	2,039,143	1,492,643
Cash and cash equivalents at the beginning of the period	962,808	-
Cash and cash equivalents at the end of the period	3,001,951	1,492,643

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of ECS Botanics Holdings Limited ("the Group"). It is therefore recommended that this financial report be read with any public announcements made during the half-year ended 31 December 2019.

Significant accounting judgments and key estimates

The preparation of the interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019 with the exception of those noted below;

Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Contingent Consideration

During the period the Group assessed the probabilities of the contingent consideration being payable with respect to the reverse asset acquisition of ECS Botanics Pty Ltd occurring on 11 July 2019. The consideration comprised of:

- 131,250,000 Performance Rights that were issued as part of the Acquisition Consideration.

The Performance Rights vest subject to the below revenue milestones:

- 43,750,000 Performance Rights ('Milestone A Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$1.00 million within two years of the Company's readmission.
- 43,750,000 Performance Rights ('Milestone B Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$2.50 million within three years of the Company's readmission.
- 43,750,000 Performance Rights ('Milestone C Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$10.00 million within four years of the Company's readmission.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management have applied judgement to whether the achievement of the milestones are possible. While the achievement of the milestones is possible, it is currently not probable and so no value has been ascribed to them and that these will be reassessed at each reporting period.

The consideration for the Milestone shares is recognised as a contingent liability as disclosed within note 17 of the report.

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees and service providers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. The assumptions and models used for estimating the fair value of share based payments transactions are disclosure in Note 5 & 16.

Reverse acquisition accounting

Estimates and judgements were made in determining the accounting treatment and value of the transaction. On 11 July 2019, ECS Botanics Holdings Limited (formerly Axxis Technology Group Limited), the legal parents and legal acquirer completed the acquisition of ECS Botanics Pty Ltd. The acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations. Instead the acquisition has been treated as a reverse asset acquisition. Accordingly the consolidated financial statements have been prepared as if ECS Botanics Pty Ltd acquired ECS Botanics Holdings Limited, not vice versa as represented by the legal position. The comparative information is that of ECS Botanics Pty Ltd for 31 December 2018 & 30 June 2019.

The impact of the group restructure on each of the primary statements is as follows:

- a) Statement of Profit or Loss and Other Comprehensive Income**
- The Statement of profit or loss and other comprehensive income comprises the total comprehensive income for the period ended 31 December 2019.
 - The statement of profit or loss and other comprehensive income comparatives comprises the period ended 31 December 2018 for ECS Botanics Pty Ltd only.
- b) Statement of Financial Position**
- The statement of financial position as at 31 December 2019 represents the combination of the ECS Botanics Group.
 - The statement of financial position comparative represents ECS Botanics Pty Ltd only as at 30 June 2019.
- c) Statement of Changes in Equity**
- The statement of changes in equity comprises:
 - The equity balance of ECS Botanics Pty Ltd as at the beginning of the financial year (1 July 2019).
 - The total comprehensive income for the financial period and transactions with equity holders represents the combination of the ECS Botanics Group.
 - The equity balance represents the combination of both ECS Botanics Holdings Limited & ECS Botanics Pty Ltd.
 - The statement of changes in equity comparatives comprises the period ended 31 December 2018 for ECS Botanics Pty Ltd only.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- d) Statement of Cash Flows**
- The statement of cashflows comprises:
 - The cash balance of the ECS Botanics Pty Ltd at the beginning of the financial period (1 July 2019).
 - The transactions for the financial period for the 6 months represents the Combination of the ECS Botanics Group.
 - The cash balance represents the combination of both ECS Botanics Holdings Limited & ECS Botanics Pty Ltd.
 - The Statement of cash flows comparatives comprises of the period of ECS Botanics Pty Ltd only for the period ended 31 December 2018.
- e) Equity Structure**
- The equity structure (the number and type of equity instruments issued) in the financial statements reflects the consolidated equity structure of ECS Botanics Holdings Limited and ECS Botanics Pty Ltd. The comparatives reflect the equity structure of ECS Botanics Pty Ltd only.
- f) Earnings per share**
- The weighted average number of shares outstanding for the period ended 31 December 2019 is based on the weighted average number of shares of ECS Botanics Holdings Limited outstanding in the period following the acquisition.
- g) Deemed Consideration and Listing Expense**
- The purchase consideration was the issue of shares in ECS Botanics Holdings Limited (legal parent) was deemed to be \$1,903,643 based on the following:

Ordinary shares	287,500,000
Share price based on capital raising	\$0.04
Exchange ratio	10.64
Deemed consideration	<u>\$1,903,643</u>

The purchase consideration was settled via shares as follows:

Instrument	Number	Value (\$)
Ordinary shares	<u>287,500,000</u>	<u>\$1,903,643</u>

The transaction created a one-off non cash expense arising from the treatment of the acquisition of ECS Botanics Holdings Limited in accordance with Australian Accounting Standards:

Deemed consideration	\$1,903,643
add: net liabilities of ECS Botanics Holdings Limited at the time of acquisition	\$257,927
Listing Expense (refer to note 4)	<u>\$2,161,570</u>

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The following is a summary of material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ECS Botanics Holdings Limited ('Company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the period then ended. ECS Botanics Holdings Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition method of accounting is used to account for business combinations by the consolidated entity. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

c) Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in Other Comprehensive Income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated entity reviews impairment indicators at each reporting period in accordance with *AASB 128 Investments in Associates and Joint Ventures*.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

d) **Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of control of the goods and the cessation of all involvement in those goods.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

e) **Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

f) **Cash and Cash Equivalents**

Cash on hand and in bank and short-term deposits are stated at nominal value. For the purpose of the statement of cash flows, cash includes cash on hand and in bank, and bank securities readily convertible to cash, net of outstanding bank overdrafts.

g) **Trade & Other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

h) **Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The depreciable amount of all fixed assets is depreciated on a straight-line basis or diminishing value (whichever is more appropriate) over their useful lives to the entity commencing from the time the asset is held ready for use.

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings.

The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity.

Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

The effective lives used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation rate
Buildings	2.5%

Class of Fixed Asset	Useful life
Silo	30 years

i) **Biological assets**

The Group's biological assets consist of the hemp growth accounted for in accordance with AASB 141 Agriculture. The Group measures the biological assets in accordance with AASB 141 Agriculture at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods within inventories. Fair value is determined based on future cash flows of the in process biological assets less costs to complete. Cost to sell include post-harvest production, shipping and fulfillment costs.

Where the biological assets cannot be reliably measured at fair value during the in-process (growth) stage the biological asset is measured at its cost less any accumulated depreciation and accumulated impairment losses. Once the fair value becomes reliably measurable (deemed to be the point of harvest) the Group measures the biological assets at their fair value less costs to sell as noted above.

j) **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

k) **Trade and other payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Company. Trade payables are usually settled within 30 days of recognition.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

l) **Employee Benefits**

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

m) **Share-based Payments**

Equity-settled share-based compensation benefits are provided to Key Management Personnel and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and service providers in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an appropriate valuation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n) **Contributed Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

o) **Earnings Per Share**

Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

p) **Goods & Services Tax ("GST")**

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

q) **Current and Non-Current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

r) **Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

s) **Other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or

(ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

New Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Details of the impact of *AASB 16 Leases and IFRIC Uncertainty over Income Tax Treatments* have had are detailed below. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

AASB 16 – Leases

The Consolidated entity has adopted AASB 16 from 1 July 2019 using the retrospective modified approach and as such the comparatives have not been restated. The impact of adoption is not material to the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The Consolidated entity has adopted IFRIC 23 from 1 July 2019. The impact of adoption is not material to the financial statements.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2: OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report in the same information that is viewed by the Directors.

The Company's board receives segment information across one reportable business segment being agricultural. The Company's wholesale revenue, are largely contributed to by one customer.

NOTE 3: REVENUE

The following other income items are relevant in explaining the financial performance for the interim period:

	31-Dec-19 \$	31-Dec-18 \$
(a) Revenue		
Retail sales	17,884	-
Wholesale sales	232,617	-
Interest received	4,180	2,047
	254,681	2,047

NOTE 4: LISTING FEES

	31-Dec-19 \$	31-Dec-18 \$
Listing expense on reverse acquisition of ECS Botanics Limited (note 1)	2,161,570	-
Facilitation shares issued	400,000	-
Less loss carried over from Axxis Technology	(130,081)	-
	2,431,489	-

NOTE 5: SHARE BASED PAYMENT EXPENSE

	31-Dec-19 \$	31-Dec-18 \$
Options issued during the period*	220,574	-
	220,574	-

*Refer to note 16 for further information

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 6: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	31-Dec-19 \$	30 Jun-19 \$
Cash at bank & on hand	3,001,951	203,029
Term deposits	-	759,778
	3,001,951	962,808

NOTE 7: TRADE AND OTHER RECEIVABLES

	31-Dec-19 \$	30 Jun-19 \$
Trade receivables	163,377	2,398
Other receivables	94,579	79,362
	257,956	81,760

NOTE 8: INVENTORIES

	31-Dec-19 \$	30 Jun-19 \$
Raw materials	362,344	81,550
Finished goods	126,324	-
	488,668	81,550

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	31-Dec-19 \$	30 Jun-19 \$
Land & Buildings *	1,441,321	-
Plant and equipment	52,253	42,500
Accumulated depreciation	(1,487)	(719)
	1,492,087	41,781

*Acquired during the period

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ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 10: INVESTMENTS IN ASSOCIATES

	31-Dec-19	30 Jun-19
	\$	\$
Investment in associate (refer to note 14)	613,290	-
	613,290	-

NOTE 11: TRADE AND OTHER PAYABLES

	31-Dec-19	30 Jun-19
	\$	\$
Trade payables	60,914	124,467
Other payables	73,769	-
	134,683	124,467

NOTE 12: EQUITY DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial half year.

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ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 13: EARNINGS PER SHARE

	31-Dec-19 \$	31-Dec-18 \$
Loss after income tax attributable to owners of ECS Botanics Holdings Limited	(3,930,546)	(269,117)
Weighted average number of ordinary shares used in calculated basic earnings per share	480,091,067	47,591,067
Basic earnings/(loss) per share (cents)	(0.81)	(0.57)

NOTE 14: INTERESTS IN ASSOCIATE

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principle place of business	Ownership Interest	
		31-Dec-19 %	30 Jun-19 %
Tasmanian Agricultural Producers Pty Ltd	Australia	*28.4%	-

*On 11 September 2019 ECS Botanics Pty Ltd (ECS) acquired 28.4% of Tasmanian Agricultural Producers Pty Ltd (TAP). A strategic investment in order to handle and process ECS's harvest & expanding supply.

The consideration paid for 28.4% interest in the Company was \$750,000.

	31-Dec-19 \$
<i>Summarised statement of financial position</i>	
Current assets	3,232,176
Non-current assets	3,744,859
Total assets	6,977,035
Current liabilities	1,817,185
Non-current liabilities	3,045,094
Total liabilities	4,862,279
Net assets	2,114,756

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ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31-Dec-19*
<i>Summarised statement of profit or loss and other comprehensive income</i>	<u>\$</u>
Revenue	3,583,677
Expenses	<u>(4,069,999)</u>
Profit/(loss) before income tax	<u>(486,322)</u>
Income tax expense	-
Profit/(loss) after income tax	(486,322)
Other comprehensive income/(loss)	<u>(486,322)</u>
Total comprehensive income/(loss)	<u>(486,322)</u>

*The summarised statement of profit or loss is for the period from the date of acquisition 11 September to 31 December 2019.

	31-Dec-19
<i>Reconciliation of the consolidated entity's carrying amount</i>	<u>\$</u>
Opening carrying amount	750,000
Share of loss after income tax	<u>(136,710)</u>
Closing carrying amount	<u>613,290</u>

NOTE 15: ISSUED CAPITAL

	31-Dec-19	30 Jun-19
	<u>\$</u>	<u>\$</u>
Issued and paid up Capital		
Ordinary Shares Fully Paid	<u>10,230,396</u>	<u>1,855,500</u>

	31 December 2019		30 June 2019	
	No. of Shares	\$	No. of Shares	\$
Movement in ordinary shares on issue				
Balance at the beginning of the period	27,020,000	1,855,500	27,020,000	1,855,500
Elimination of ECS Botanics Pty Ltd shares on acquisition	(27,020,000)	-	-	-
Axxis technology Group Limited shares on issue at acquisition date	47,591,067	-	-	-
Consideration shares issued to vendors of ECS	287,500,000	1,903,643	-	-
Facilitation shares issued to Joint Lead Managers *	10,000,000	400,000	-	-
Public Offer Shares (IPO)	162,500,000	6,500,000	-	-
Capital raising costs	-	(428,747)	-	-
Balance at the end of period	<u>507,591,067</u>	<u>10,230,396</u>	<u>27,020,000</u>	<u>1,855,500</u>

*value based on \$0.04 share price at date of re-listing.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 16: RESERVES

	31-Dec-19	31-Dec-18
	\$	\$
(a) Recognised share-based payment transactions		
Options issued to Directors ⁽ⁱ⁾	220,574	-
	220,574	-

- (i) On 11 July 2019, the Company issued 20,375,000 options to the Directors, exercisable at \$0.08 on or before 11 January 2022.

(b) Summary of options granted during the period

Options	Issue Date	Date of Expiry	Exercise Price	Balance at the start of the period	Granted during the period	Exercised during the period	Expired during the period	Balance at the end of the period
Directors	11/07/2019	11/01/2022	0.08	-	20,375,000	-	-	20,375,000
				-	20,375,000	-	-	20,375,000

The options issued to the Directors have been valued using the Black-Scholes model. The model and assumptions are shown in the table below:

31 December 2019:

Grant date share price	\$0.04
Exercise price	\$0.08
Expected volatility	75%
Grant date	11/07/2019
Expiry date	11/01/2022
Dividend yield	0%
Risk free rate	0.94%
Black-Scholes Valuation	\$0.011
Total Fair Value of Options	\$220,574
Number of Options Issued	20,375,000

NOTE 17: COMMITMENTS & CONTINGENCIES

During the period the Group assessed the probabilities of the contingent consideration being payable with respect to the reverse asset acquisition of ECS Botanics Pty Ltd occurring on 11 July 2019. The consideration comprised of:

131,250,000 Performance Rights that were issued as part of the Acquisition Consideration.

The Performance Rights vest subject to the below revenue milestones:

43,750,000 Performance Rights ('Milestone A Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$1.00 million within two years of the Company's readmission.

43,750,000 Performance Rights ('Milestone B Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$2.50 million within three years of the Company's readmission.

43,750,000 Performance Rights ('Milestone C Performance Rights') will convert into Shares upon ECS achieving an annual revenue in any financial year of \$10.00 million within four years of the Company's readmission.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 17: COMMITMENTS & CONTINGENCIES

Management have applied judgement to whether the achievement of the milestones are possible. While the achievement of the milestones is possible, it is currently not probable and so no value has been ascribed to them and that these will be reassessed at each period end.

The Company also has agreements in place with contract growers, the commitment is realised once the crops have met the standards and quality of the ECS Botanics Pty Ltd.

NOTE 18: RELATED PARTIES

	31-Dec-19	31-Dec-18
	\$	\$
The following transactions occurred with related parties:		
ARQ Capital Pty Ltd ⁽ⁱ⁾	18,000	-
Bushwood Nominees Pty Ltd ⁽ⁱⁱ⁾	18,000	-
Stedwell Corporate Pty Ltd ⁽ⁱⁱⁱ⁾	700	-
COY Farms ^(iv)	304,482	3,400
Australian British Chamber of Commerce ^(v)	4,800	-
Mirador Corporate Pty Ltd ^(vi)	122,915	-
The D & S McCredie Family Trust ^(vii)	17,638	-
	486,535	3,400

- (i) ARQ Capital Pty Ltd was paid for Director fees, of which Michael Nitsche is a director.
- (ii) Bushwood Nominees Pty Ltd was paid for Director fees, of which Jeremy King is a director.
- (iii) Stedwell Corporate Pty Ltd, was paid for Director Fees, of which Justyn Stedwell is a director.
- (iv) Coy Farms, was paid for the lease and purchase of the farm, of which Alex Keach has a 20% investment.
- (v) Australian British Chamber of Commerce was paid for office rental fees, of which David McCredie is a director.
- (vi) Mirador Corporate Pty Ltd was paid for company secretarial and financial management services to the Company, of which Jeremy King is a director.
- (vii) The D & S McCredie Family Trust was paid for Director fees, of which David McCredie is a director.

The following options were issued to directors during the period, for further information please refer to note 16.

30 December 2019	Balance at 01/07/2019	Granted as Remuneration	On Exercise of Options	Net Change – Other	Balance at 31/12/2019
Directors					
Justyn Stedwell	-	2,000,000	-	(2,000,000)*	-
Alexander Keach	-	937,500	-	-	937,500
David McCredie	-	937,500	-	-	937,500
Jeremy King	-	11,000,000	-	-	11,000,000
Michael Nitsche	-	5,500,000	-	-	5,500,000
Total	-	20,375,000	-	(2,000,000)	18,375,000

*Justyn Stedwell resigned 11 July 2019.

ECS BOTANICS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Summary of new service agreements entered during the period:

- ❖ Alexander Keach – Managing Director
 - Contract: Commenced on 11 July 2019
 - Director's Fee: \$195,000 per annum
 - Term: No fixed term

- ❖ David McCredie – Non-executive chair
 - Contract: Commenced on 11 July 2019
 - Director's Fee: \$36,000 per annum
 - Term: No fixed term

- ❖ Jeremy King – Non-executive Director
 - Contract: Commenced on 11 January 2017
 - Director's Fee: \$36,000 per annum
 - Term: No fixed term

- ❖ Michael Nitsche – Non-executive Director
 - Contract: Commenced on 25 March 2019
 - Director's Fee: \$36,000 per annum
 - Term: No fixed term

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 19: EVENTS AFTER THE END OF THE INTERIM PERIOD

There has been no matter, or circumstance, that has arisen since the half-year ended 31 December 2019, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

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ECS BOTANICS HOLDINGS LIMITED

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

In accordance with a resolution of the directors of ECS Botanics Holdings Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Alexander Keach
Managing Director
27 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ECS Botanics Holding Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of ECS Botanics Holding Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 27 February 2020