

ASX Announcement

13 May 2020



ECS Botanics signs collaboration deal with Essential Oils of Tasmania

Highlights

- ECS Botanics signs collaboration agreement with leading essential oils producer Essential Oils of Tasmania (EOT)
- EOT has nearly 40 years of experience in plant extraction and distillation
- The companies will pursue strategic research and capitalise on commercial opportunities in the hemp seed oil, cannabinoid and terpene sectors
- Strategically important in the development of ECS's hemp and medicinal cannabis projects

ECS Botanics Holdings (ASX: ECS or the Company) is pleased to announce it has signed a non-binding collaboration agreement (**Agreement**) with Essential Oils of Tasmania (**EOT**).

EOT is a fully integrated Tasmanian natural products business supplying global leaders in flavour, fragrance and aromatherapy. Formed in 1983, EOT has become one of Australia's leading plant extraction and distillation businesses with a high quality, global client base. EOT has 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

ECS Managing Director Alex Keach said: "*We are in the midst of a huge consumer shift toward using botanical extracts, including cannabis, for nutrition, medicine, supplements, cosmetics, flavouring, sanitiser and cleaning applications and we are seeing strong growth in both the cannabis extract market as well as essential oils, which is a US\$8 billion market¹. ECS and EOT are aligned on their view of the future of nature's extracts and the role of cannabis, and we have complementary skill sets that can be mutually beneficial to de-risk and fast-track industry development. Cannabis is no longer viewed as a one trick pony, containing an abundance and array of cannabinoids, essential oils, terpenes and flavonoids.*"

¹ The Mercury newspaper, May 9 2019

Mr Keach said COVID-19 had created a greater focus on hygiene in homes, workplaces and areas of gathering.

“Essential oils as well as hemp seed oil are known for their strong anti-microbial and anti-bacterial properties. We expect to see greater emphasis on the use of plant extracts in cleaning products to take advantage of these properties, as well as complementing hand sanitisers and hygiene products in order to provide a softer and less drying impact on the skin.

“We look forward to working closely with a fellow Tasmania-based business in EOT, particularly as we develop our cannabinoid business on which we are expecting strong newsflow over coming months. This collaboration may lead to future opportunities between both companies.”

According to Grandview Research, growth in the essential oil industry is forecast to expand at a CAGR of 8.6% from 2019 to 2025, while the cannabis extract market is expected to grow at CAGR 16.6% between 2020 and 2027.

Tasmania is expected to be a strong participant in the global essential oils industry, as its geographical location, “clean green” image and GMO-free status provide a strategic advantage.

EOT’s fractionation, CO₂ extraction and distillation equipment are highly complementary to ECS’s industrial hemp and medicinal cannabis plans and outlook. Furthermore, EOT has a highly experienced team of production technicians, chemists and quality assurance personnel. The collaboration agreement strengthens the ability to enhance vertical integration, increase future production capacity and access specialist extractive equipment and years of experience.

Under the agreement, the companies will also work together in order to provide a greater value proposition to their farmer network, while plant and site utilisation is also a priority.

EOT Chief Executive Officer Simon Wells commented: *“Since inception, our business has partnered with leading research organisations to pioneer the production of unique essential oils and plant extracts. We really do feel our agronomy, extraction and chemical analysis expertise is highly complementary to the development of a cannabis industry in Tasmania and we look forward to working with ECS as they grow their business into the future.”*

More information about EOT is available at: eotasmania.com.au

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EOT lavender harvest underway



EOT's production facility

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

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