

ASX ANNOUNCEMENT

ECS Botanics Holdings Ltd (ASX:ECS)

29 October 2021



ECS announces heavily supported \$6.6m placement to drive expansion

- Funds to be used to rapidly accelerate ECS' growth strategy to meet the surging demand for the company's medicinal cannabis and hemp products
- ECS is well capitalised to fast-track its regenerative farming ESG strategy and transition to a carbon-neutral company utilising 100% renewable energy
- Capital to be deployed to expand production capacity from 1,500kg to 4,000kg during FY2022 and incorporate automation processes - leading to reduction in cost and increase overall profit margin
- Leading Melbourne-boutique, Peak Asset Management led the raise
- Multiple supply contract agreements are well progressed and expected to materialise shortly

ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company"), a leading medicinal cannabis and hemp company, is pleased to advise it has received firm commitments to raise \$6.6m (before costs) through the issue of 200,000,000 new fully paid ordinary shares at a price of \$0.033 per share to institutional, professional and sophisticated investors ("Placement"). The Placement will include a 1:2 free attaching option with an exercise price of \$0.08 each and an expiry of 2 years from the date of issue ("Placement Options").

The issue price of \$0.033 per share represents a 15.38% discount to the last closing price of \$0.039 (26 October 2021) and a 12.39% discount to the fifteen-day volume weighted average price (VWAP) of \$0.03767. Placement shares will rank equally with existing ECS' ordinary shares quoted on the ASX. The issue of the placement shares is expected to be on or around 4 November 2021. The Placement will be completed in a single tranche under the Company's existing placement capacity under Listing Rule 7.1 (108,484,848 shares) and 7.1A (90,000,000 shares). The Placement Options will be issued subject to ECS obtaining prior shareholder approval at general meeting of shareholders which is anticipated to be held in December 2021.

The funds raised from the placement will be used to **rapidly accelerate the Company's growth plans** to meet the surging demand for ECS' medicinal cannabis and hemp products. ECS will again progress the purchase and installation of additional protected cropping enclosures for premium dry flower. **The increase in production capacity is expected to significantly boost the Company's revenue.**

ECS will also utilise capital to expand its drying room capacity, which is anticipated to yield 4,000kg this financial year. Additional funds will be deployed to automate the Company's trimming and packing processes, leading to a **reduction in staff costs and increase in overall profit margin.**

Additional capital will be deployed to finalise the acquisition of Murray Meds, and to increase investment in the Company's **organic cannabis and regenerative farming ESG strategy**, as it pushes towards net zero. ECS' unique production model uses fifty-five times less energy than typical indoor cannabis cultivation. The Company intends to pursue a number of initiatives including **measuring and tracking its supply chain, decreasing its carbon footprint through full plant utilisation, and transition to 100% renewable energy.** The Company will appoint new key personnel, invest in new product development and marketing to increase sales.



Managing Director, Mr Alex Keach said: *"On behalf of the board, I am pleased to welcome a number of new investors, family offices, strategic investors and institutions to the register. I would like to also take this opportunity to thank our existing shareholders for their continued support."*

"ECS has witnessed a significant increase in demand for its products from the Australian market and large international groups and this capital will allow the Company to significantly scale up operations to meet the growing sales pipeline."

"The Company will deploy a large amount of the funds raised into expanding our growing operations and we anticipate that this investment will provide a significant return to our revenue profile. This will be undertaken with a consistent focus on our ESG principles and regenerative farming in mind as we continue to push our operations towards net zero emissions."

"Additional funds will be used to invest in automating both trimming and packaging, provided a large saving in staff costs and increase profit margin. This will allow the Company to further increase revenue and track closer towards a cashflow positive position."

"A number of potential supply contracts are well progressed and ECS expects to continue to grow its revenue profile over the coming months. We look forward to updating shareholders as developments materialise."

Peak Asset Management were the Lead Manager ("**LM**") to the Placement and will receive a 6% fee of all monies raised under the Placement as well as 12 million options exercisable at \$0.08 each and an expiry of 2 years from the date of issue ("**LM Options**"). The LM Options will be issued subject to shareholder approval at a general meeting which is anticipated to be held in December 2021.

Subject to shareholder approval and ASX listing rule requirements, the Company intends to seek quotation of the Placement Options and LM Options. The Placement Options and LM Options will be issued under a disclosure document to be lodged with ASX in the near term. If quotation of the attaching options cannot be obtained, they will remain as unquoted options.

Non-Executive board member, Mr Jeremy King, intends to support the Placement up to the value of \$50,000 (1,515,152 shares) subject to the Company obtaining shareholder approval under Listing Rule 10.11 at the general meeting for his participation.

-ENDS-



About ECS Botanic Holdings Ltd

ECS Botanic Holdings Ltd is a leading medicinal cannabis and hemp business. The company owns farms and medicinal cannabis facilities in Tasmania and Victoria for the cultivation, processing, and manufacturing of medicinal cannabis. ECS manufactures to EU GMP standards and also has the necessary licences to cultivate and manufacture medicinal cannabis for the wholesale extract, final dose and premium dry flower market. ECS cultivates hemp for the wholesale market and its retail food and wellness brand, while having obtained all the necessary licences to grow, supply and manufacture. ECS' core focus is scale and low-cost production, without compromising quality.

For further information, please contact:

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Authorised on behalf of ECS by Alex Keach, Managing Director