



ECS Botanics to develop large-scale outdoor medicinal cannabis project

Highlights

- Large scale, capex light medicinal cannabis project to proceed
- Next generation approach to medicinal cannabis – outdoor grow
- Forecast to become the largest medicinal cannabis grow by area in Australia
- In discussions regarding offtake for Stage 1 of ECS dry flower production
- Town Planning Application approved by local council
- Three stage growth strategy to bring significant amounts of dry flower into production – ability to grow up to 32,500kg per year

ECS Botanics Holdings (ASX: **ECS** or the **Company**) is pleased to announce that, subject to finalisation of regulatory approvals, it intends to proceed with the development of an outdoor medicinal cannabis project (**Medicinal Cannabis Project**) at its wholly owned site in northern Tasmania.

As part of its Tasmania focused dual hemp-cannabis strategy, over the last several months, the Company has been working closely with its independent consultants, Pharmout, to scope out the Medicinal Cannabis Project. Upon construction commencement, the Company anticipates rapidly advancing the facility. Certain key details and assumptions of the proposed facility are set out below:

Production

The Medicinal Cannabis Project has an initial three stage expansion plan that is forecast to produce:

Stage	Total Production Ranges (kg dry flower pa)
1	1,313 – 2,188
2	9,844 – 16,406
3	19,500 – 32,500

Key Assumptions:

- Production (kg/ha) assumes dry flower yield (saleable product) range between 300g – 500g per plant
- Cultivation area expansion from 25,000sqm to 325,000sqm over 3 years
- Stage 1 capital expenditure of \$1.7m (majority of infrastructure).
- Stage 2 & 3 total capital expenditure of \$1.2m
- Yield estimate year one 70%, year two 75%, year three 80%

For personal use only

In year 1, ECS will grow medicinal CBD plants before broadening the strategy from year 2 onwards to grow both CBD and THC plants.

As well as cultivating medicinal cannabis, ECS will take an industrious approach to the processing steps, using machinery for drying and bucking (separating buds from plant stem).

The Company and its contractors are pushing toward a target of having the facility built and permitted in time for the December 2020 planting window.

The Company is fully funded for Stage 1 following its recent capital raising activities in addition to existing business revenues.

Funding for future stages (stages 2 & 3) will require a combination of other capital sources of which may include strategic investors, government grants, secured debt, offtake and project cash flows. Each of these is currently being investigated.

Regulatory Approvals

The Medicinal Cannabis Project is subject to a license variation being granted by the Office of Drug Control (**ODC**), and a subsequent permit being issued. ECS applied for this variation in April 2020 and is working closely with the ODC on this front. The Company is fast tracking what work it can, with early stage site works having already commenced and parts of the build expected to commence in the next two weeks, subject to no COVID related delays.

On 16 July 2020, the local Town Council granted town planning approval for the facility.

Offtake

ECS is currently in discussions regarding an offtake agreement for its Stage 1 of scheduled dry flower production.

Subject to future regulatory change and capital expenditure, ECS management is aiming to develop the new facility to become a major extraction and tolling operation for the broader cannabis industry in Tasmania. Among its capabilities will be the production of extracts and isolates.

Location

Tasmania is a globally dominant power in the cultivation and extraction of plant-based pharmaceuticals, with its low risk cool climate and high amounts of UV enabling production of high value, premium quality crops at a very low cost. Tasmania is already Australia's largest hemp producer as well as being the world's largest licit opiate poppy producer and a major producer of essential oils and other high value crops.

ECS Managing Director Alex Keach said:

"ECS is taking a next generation approach to medicinal cannabis. We know the plant thrives in its natural environment and we see how the regulatory industry, market environment and cultivation practices are evolving overseas. Tasmania has learnt a lot in cultivating pharmaceutical ingredients outdoors and also in the extraction of these plants. Applying a similar framework to the medicinal cannabis industry is the

most practical way forward in order to lower the cost of production per gram and make patient access more affordable. We are pleased to have a good working relationship with regulators and many other key stakeholders, which is enabling us to advance this project in a timely manner.

“We believe the power prices and cost of labour in Australia are in many cases restrictive to the business case of growing indoor long term, so we are adopting a practical approach whereby we are applying our skills in growing cannabis with a vision of where the industry is headed and how the industry is already evolving overseas.”



Figure 1: architects aerial view of stage 1

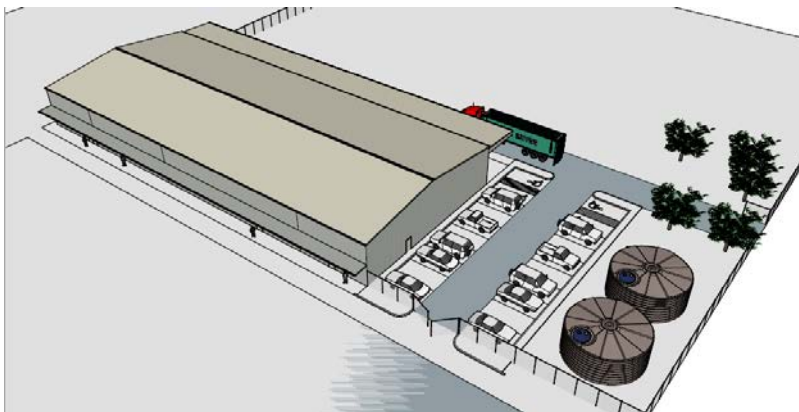


Figure 2: Site plan & artist rendition of ECS medicinal cannabis processing site

For personal use only

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.

For further information, please contact:

Alexander Keach

Managing Director

alex@ecsbotanics.com.au

+61 419 323 059

Jason Hine

Chief Operations Officer

jason@ecsbotanics.com.au

+61 419 922 259

Authorised on behalf of ECS by Alex Keach, Managing Director

Not investment advice

This Company announcement ("CA") does not constitute investment or financial product advice nor any recommendation to acquire Company shares. It is not intended to be used on the basis for making a financial decision, nor is it intended to constitute legal, tax, or accounting advice or opinion. Any references to, or explanations of, legislation, regulatory issues, benefits or any other legal commentary are indicative only, do not summarise all relevant issues and are not intended to be a full explanation of a particular matter. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate to their jurisdiction. The Company is not licensed to provide financial product advice in respect of the Company shares. The CA has been prepared without taking into account your investment objectives, financial situation or particular needs. No reliance may be placed for any purpose whatsoever on the Information or on its accuracy or completeness.

Forward looking statements

The CA may contain forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "forecasts", "intends" and other similar words that involve risks and uncertainties. You should be aware that such statements are only estimates or predictions, which may be based on subjective judgments and assumptions as to future events, which may or may not occur and which are subject to inherent risks and uncertainties, many of which are beyond the control of the Company. Actual events or results may differ materially from the events or results expected or implied in any forward looking statement. No representation or warranty (whether express or implied) is made as to the accuracy or likelihood of fulfilment of any forward looking statement. Any forward looking statements included in this CA involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies and other factors.