



Epsilon Healthcare Limited

ACN: 614 508 039

**Appendix 4D and Interim Unreviewed Financial Statements
30 June 2021**

APPENDIX 4D

1. Name of Entity **Epsilon Healthcare Limited**
ACN 614 508 039

Half year ended 30 June 2021
 Reporting period 1 January 2021 to 30 June 2021
 Previous period 1 January 2020 to 30 June 2020

2. Results for announcement to the market

| | 30 June 21 | 30 June 20 | % Change* |
|---|-------------------|-------------------|------------------|
| | \$ | \$ | Up (Down) |
| 2.1 Revenues from continuing operations | 3,248,555 | 3,483,566 | (7%) |
| 2.2 Loss from continuing operations after tax attributable to members | (4,143,972) | (5,578,924) | (26%) |
| 2.3 Net loss attributable to members | (4,143,972) | (5,578,924) | (26%) |
| 2.4 Proposed dividends | Nil | Nil | - |
| 2.5 Record date for dividend entitlement | N/A | N/A | |

2.6 Brief explanation of figures in 2.1 to 2.4 necessary to enable the figures to be understood

In 1H 2021, revenue attributable to the Company's medicinal cannabis operations represented ~41% of revenue from continuing operations compared to ~1.5% in 1H 2020. This shift is a result of the Company investing towards the growth of the Company's cannabis manufacturing facility and expanding Tetra Health, the Company's clinic network.

In addition to this shift in investment focus, the Company has seen continued pandemic related disruptions in supply chain affecting inventory acquisition from Asian manufacturers resulting in the Company's hydroponics equipment sales declining in this period – a trend continuing from 2020.

Separately, loss from continuing operations after tax improved markedly due to the Group recognising \$1.66m in R&D tax incentive income for the half year.

| | 30 June 2021 | 31 December | % Change |
|-------------------------------------|---------------------|--------------------|------------------|
| | Cents | 2020 | Up (Down) |
| | | Cents | |
| 3. Net tangible assets per security | 8 | 10 | (20%) |

4. The Group did not gain or lose control of an entity during the period.
5. There were no payments of dividends during the reporting period.
6. There is no dividend reinvestment plan in operation.
7. There are no associates or joint venture entities.
8. The Company is not a foreign entity.
9. The accounts are currently under review by the appointed Auditors.

ASIC Relief

The Company is relying on the Amended ASIC Relief (as that term is defined in the ASX Class Waiver Decision – Extended Reporting and Lodgement Deadlines dated 3 May 2021) to extend the lodgement date for the Company's reviewed half year accounts. The Company will immediately notify the market if it becomes aware that there will be a material difference between its unreviewed half year accounts and its reviewed half year accounts.

The Group's unreviewed interim financial statement for the half year ended 30 June 2021 is included herein under Addendum 1.



Nicholas Marshall
Chief Financial Officer
31 August 2021

Addendum 1

Consolidated Financial Statements for the Half-Year Ended 30 June 2021

Epsilon Healthcare Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 30 June 2021

| | 30 June 2021 | 30 June 2020 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Revenue from continuing operations | 3,248,555 | 3,483,566 |
| Cost of goods sold | (2,114,606) | (2,336,727) |
| Gross profit | 1,133,949 | 1,146,839 |
| Other income | 1,911,960 | 355,938 |
| Other cost of sales | (179,444) | (270,179) |
| Professional expenses | (593,765) | (597,921) |
| Consulting and due diligence expenses | (475,258) | (540,073) |
| Plant and facility costs | (261,449) | (370,407) |
| Employee benefits expense | (2,577,874) | (2,062,311) |
| Advertising and promotion expenses | (60,652) | (151,517) |
| Insurance expenses | (296,218) | (165,097) |
| License and registration expenses | (80,000) | (38,130) |
| Depreciation and amortisation expenses | (711,406) | (1,139,313) |
| Research and development | (233,611) | (217,153) |
| Finance expenses | (401,629) | (146,247) |
| Foreign exchange loss | (25,656) | - |
| Office and occupancy expenses | (264,248) | (264,110) |
| General and administration expenses | (495,279) | (844,140) |
| Share based payments | (838,734) | (275,103) |
| Impairment expense | (72,026) | - |
| Loss on disposal of fixed assets | (48,339) | - |
| Loss before income tax | (4,569,679) | (5,578,924) |
| Income tax revenue | 425,707 | - |
| Loss for the period | (4,143,972) | (5,578,924) |
| Other comprehensive income | | |
| <i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i> | | |
| Exchange differences on translating foreign operations, net of tax | 84,444 | (88,858) |
| Total comprehensive profit/(loss) for the period | (4,059,528) | (5,667,782) |
| Earnings per share | | |
| <i>From continuing operations</i> | | |
| - Basic/diluted earnings per share (cents) | (2.17) | (3.94) |

Epsilon Healthcare Limited
Consolidated Statement of Financial Position
As at 30 June 2021

| | As at 30 June 2021 \$ | As at 31 December 2020 \$ |
|--------------------------------------|--------------------------------|------------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 3,101,642 | 6,967,941 |
| Trade and other receivables | 1,964,298 | 1,419,381 |
| Inventory | 1,965,531 | 2,039,259 |
| Other assets | 325,197 | 578,604 |
| Total Current Assets | 7,356,668 | 11,005,185 |
| Non-Current Assets | | |
| Property, plant and equipment | 18,449,562 | 18,900,501 |
| Right-of-use assets | 818,523 | 1,172,646 |
| Intangible assets | 515,405 | 475,526 |
| Goodwill | 5,444,481 | 5,444,481 |
| Other assets | 329,540 | 264,530 |
| Total Non-Current Assets | 25,557,511 | 26,257,684 |
| Total Assets | 32,914,179 | 37,262,869 |
| LIABILITIES | | |
| Current Liabilities | | |
| Trade and other payables | 1,986,450 | 2,429,186 |
| Contract liabilities | 644,431 | 390,585 |
| Borrowings | 3,410,572 | 3,794,639 |
| Employee benefits | 378,947 | 125,382 |
| Lease liabilities | 259,836 | 344,414 |
| Total Current Liabilities | 6,680,236 | 7,084,206 |
| Non-Current Liabilities | | |
| Deferred tax liability | 3,460,868 | 3,886,575 |
| Lease liabilities | 660,028 | 973,023 |
| Total Non-Current Liabilities | 4,120,896 | 4,859,598 |
| Total Liabilities | 10,801,132 | 11,943,804 |
| Net Assets | 22,113,047 | 25,319,065 |
| EQUITY | | |
| Contributed equity | 42,459,193 | 41,801,459 |
| Reserves | 10,874,526 | 10,594,306 |
| Accumulated losses | (31,220,672) | (27,076,700) |
| Equity | 22,113,047 | 25,319,065 |

Epsilon Healthcare Limited
Consolidated Statement of Changes in Equity
For the Half-Year Ended 30 June 2021

| | Contributed equity | Other contributed equity | Accumulated losses | Reserves | Total |
|--------------------------------------|-----------------------|--------------------------------|-----------------------|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| At 1 January 2021 | 41,801,459 | - | (27,076,700) | 10,594,306 | 25,319,065 |
| Loss for the period | - | - | (4,143,972) | - | (4,143,972) |
| Other comprehensive income | - | - | - | 84,444 | 84,444 |
| Total comprehensive (loss)/income | - | - | (4,143,972) | 84,444 | (4,059,528) |
| Shares issued in the period | 812,500 | - | - | - | 812,500 |
| Costs of capital raising | (254,766) | - | - | - | (254,766) |
| Equity settled acquisitions | - | 100,000 | - | - | 100,000 |
| Options vesting expense | - | - | - | 195,776 | 195,776 |
| Options lapsed | - | - | - | - | - |
| Total transactions with owners | 557,734 | 100,000 | - | 195,776 | 853,510 |
| At 30 June 2021 | 42,359,193 | 100,000 | (31,220,672) | 10,874,526 | 22,113,047 |
| At 1 January 2020 | 28,448,111 | 850,000 | (18,044,950) | 11,068,019 | 22,321,180 |
| Loss for the period | - | - | (5,578,924) | - | (5,578,924) |
| Other comprehensive income | - | - | - | (88,858) | (88,858) |
| Total comprehensive (loss)/income | - | - | (5,578,924) | (88,858) | (5,667,782) |
| Shares issued in the period | 8,577,884 | - | - | - | 8,577,884 |
| Costs of capital raising | (398,023) | - | - | - | (398,023) |
| Equity settled acquisitions | - | 1,375,000 | - | 343,420 | 1,718,420 |
| Options vesting expense | - | - | - | 275,103 | 275,103 |
| Options lapsed | - | - | 12,286 | (12,286) | - |
| Total transactions with owners | 8,179,861 | 1,375,000 | 12,286 | 606,237 | 10,173,384 |
| At 30 June 2020 | 36,627,972 | 2,225,000 | (23,611,588) | 11,585,398 | 26,826,782 |

Epsilon Healthcare Limited
Consolidated Statement of Cash Flows
For the Half-Year Ended 30 June 2021

| | 30 June 2021 | 30 June 2020 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 3,106,082 | 3,202,378 |
| Payments to suppliers and employees | (6,946,193) | (7,943,961) |
| Other income | 119,577 | 3,186 |
| Finance costs | (305,693) | (73,928) |
| Government grants received | 1,205,344 | 336,999 |
| Net cash outflow from operating activities | (2,820,883) | (4,475,326) |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (595,128) | (393,109) |
| Payments for land and buildings | - | (250,000) |
| Cash in subsidiary | - | 3,455 |
| Payments for intangible assets | (39,879) | - |
| Receipts from sale of plant and equipment | 50,000 | - |
| Net cash outflow from investing activities | (585,007) | (639,654) |
| Cash flows from financing activities | | |
| Proceeds from shares issued net of issue costs | - | 6,202,976 |
| Options converted | - | 641,884 |
| Proceeds from borrowings | - | 3,760,000 |
| Repayment of borrowings | (477,159) | - |
| Net cash inflow from financing activities | (477,159) | 10,604,860 |
| Net (decrease)/increase in cash and cash equivalents | (3,883,049) | 5,489,880 |
| Cash and cash equivalents at the beginning of the financial period | 6,967,941 | 3,551,595 |
| Foreign exchange adjustment to cash balance | 16,749 | (2,127) |
| Cash and cash equivalents at end of the period | 3,101,641 | 9,039,348 |