



ASX RELEASE 31 January 2023

## Q4 2022 Quarterly Update & Appendix 4C

### Key Points:

- Production at Southport Facility continues to increase, with production capacity fully booked for the first quarter 2023
- Southport performance is predominantly ex-Valens
- Tetra revenues representing continued increase in revenue and patient numbers
- \$950,000 unsecured debt obtained to provide additional working capital

Epsilon Healthcare Limited (ASX:EPN) (Epsilon or the Company) is pleased to provide an update on its activities and provides its Appendix 4C for the quarter ended 31 December 2022 (**Q4 2022**).

### Financial and Operations Update – Revenue Performance Strong

Epsilon is pleased to report that the Southport Facility completed production in Q4 2022 with an increase over the production volume in Q3 2022. Significantly, the majority of this production demand has been sourced directly by the Company rather than through the Valens relationship.

Production volumes continue to increase month on month.

Tetra Health continues to perform well, with the business unit having revenue through Q4 2022, which represented an improvement over Q3 2022 and Q4 2021.

### Capital Raising & Debt Restructuring

The Company convened an Extraordinary General Meeting on January 25, 2023 to seek shareholder approval for the issue of both placement options and broker options under the capital raising placement announced by the previous Board of Directors and previous Management. The meeting also sought to ratify previous uses of the Listing Rule 7.1 and 7.1A capacities by the Company.

Shareholders ratified the placement of securities however did not approve the issue of up to 105 million options to placement participants and to Evolution Capital Pty Ltd.

The company also notes that a previous issue of performance options to the previous CEO and COO in April 2021 failed to achieve the milestones required for vesting by 31 December 2022 and so these options totalling 4.8 million have expired and will not form part of the capital of the company.

The Company notes it has secured an extension to the loan facility with Mitchell Asset Management. The loan facility was to come due on 31 October 2022, however has been extended until 31 March 2023.

Additional Disclosure

There was no material capital expenditure in Q4 2022 with the Company having prepared for commencement of operations in prior periods.

Payments to related parties and their associates in Q4 2022 were all remuneration for services as directors in the ordinary course of business.

ENDS

ASX release authorised by the Board of Directors.

For further information, please contact:



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Chairman

e:

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**Epsilon Healthcare Limited (ASX: EPN) – [epsilonhealthcare.com.au](http://epsilonhealthcare.com.au)**

Epsilon Healthcare (ASX:EPN) is a diversified global healthcare and pharmaceuticals company. EPN owns a number of medicinal cannabis assets including the largest GMP cannabis manufacturing facility in the Southern Hemisphere (the Southport Facility) and the Tetra Health clinic group.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Epsilon Healthcare Limited

**ABN**

33 614 508 039

**Quarter ended ("current quarter")**

31 December 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		1,385	3,805
1.2 Payments for			
(a) research and development		(132)	(375)
(b) product manufacturing and operating costs		(1,177)	(3,036)
(c) advertising and marketing		-	(36)
(d) leased assets		(44)	(172)
(e) staff costs		(424)	(1,952)
(f) administration and corporate costs		(453)	(2,070)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	1
1.5 Interest and other costs of finance paid		(63)	(352)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		39	1,108
1.8 Deposits refunded		-	-
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(868)</b>	<b>(3,079)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		586	514
(d) investments		-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>586</b>	<b>514</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	560	2,210
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1)	(52)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(44)	(1,113)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>515</b>	<b>1,045</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	578	2,335
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(868)	(3,079)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	586	514
4.4	Net cash from / (used in) financing activities (item 3.10 above)	515	1,045
4.5	Effect of movement in exchange rates on cash held	-	(4)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>811</b>	<b>811</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	811	578
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>811</b>	<b>578</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	120
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	3,435	2,485
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	3,435	2,485
7.5	<b>Unused financing facilities available at quarter end</b>		950
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>On 30 April 2020, the Company entered into a \$4,000,000 secured debt facility with Mitchell Asset Management (MAM). Following an extension agreed and announced on 27 October 2021, the facility is repayable at any time on or before 31 October 2022. The facility attracts interest at 1.25% per calendar month. Please refer to ASX Announcements dated 30 April 2020 and 27 October 2021 for further details including further facility terms. The Company has made repayments against principal totalling \$477,159 in June 2021 and \$1,068,927 in February 2022.</p> <p>The Company has received in principle approval from MAM for the extension of the due date of the facility until 31 March 2023.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(868)
8.2	Cash and cash equivalents at quarter end (item 4.6)	811
8.3	Unused finance facilities available at quarter end (item 7.5)	950
8.4	Total available funding (item 8.2 + item 8.3)	1,761
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.03
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: The Board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.