

ASX RELEASE (15DECEMBER 2023)

## Granting of Security and Breach of ASX Listing Rule 10.1

As announced to the ASX on 22 August 2023, Epsilon Healthcare Limited (ASX: EPN) (**Epsilon** or the **Company**) entered into a new loan facility with Australia Oracles Holding Pty Ltd (**AOH**) (**New Facility**). The New Facility was entered into by Epsilon Pharma Pty Ltd (**Borrower**), a wholly owned subsidiary of the Company, to replace the previous loan facility of \$2.35 million obtained from Mitchell Asset Management (**MAM**) (**Old Facility**), which was due to expire on 31 October 2023. The New Facility is under substantially the same terms and conditions as the Old Facility and the Company's entry into the New Facility was approved unanimously by the Board of the Company.

### Background

Under the Old Facility, if the ATO offset any R&D tax incentives payable to the Company against debts owed to the ATO, then the Company would be in default. In July 2023 R&D tax incentives payable to the Company were offset against GST liabilities owing to the ATO and the Company was in default. The Company entered into negotiations with MAM and MAM agreed that it would not exercise its rights under its Old Facility against the Company but did not formally waive its rights under that event of default.

Despite what was agreed with MAM, MAM demanded EPN repay all amounts outstanding by 15 August 2023. Through further negotiation MAM agreed to extend the deadline for payment to 21 August 2023. In the above context and given the Old Facility was maturing the Board sought alternative sources of funding. On 21 August 2023 MAM issued a formal default notice. The receipt of this notice was information that was required to be given to ASX under ASX Listing Rule 3.1.

The Company was able to procure the New Facility on 21 August 2023 from AOH. It is noted that AOH is controlled by the father in law of Xiao (Josh) Cui, the Chair of the Company.

On 22 August 2023 the Company drew down on the New Facility. Approximately \$2.38 million of funds provided under the New Facility was used to repay all amounts outstanding to MAM and of the remaining funds from the New Facility was given for the purpose of fast-tracking planned capacity expansion activities for the Borrower and Epsilon Clinics and to invest in the acceleration of emerging vertical subsidiary entities.

### Key Details of the New Facility

<b>Lender</b>	Australia Oracles Holding Pty Ltd ACN 670 164 833
<b>Borrower</b>	Epsilon Pharma Pty Ltd ACN 625 491 009
<b>Guarantor</b>	Epsilon Healthcare Limited ACN 614 508 039
<b>Loan Amount</b>	\$2,850,000 (to be applied for the purposes set out above)
<b>Loan Date</b>	21 August 2023

<b>Repayment Date</b>	90 days after the Loan Date, 19 November 2023. This was extended by mutual agreement to 1 December 2023 and extended once more to 20 December 2023.
<b>Interest Rate</b>	15% per annum
<b>Default Interest Rate</b>	24% per annum
<b>Establishment Fee</b>	Nil
<b>Events of default</b>	<p>Set out below are key events of default:</p> <ul style="list-style-type: none"> <li>(a) if the Borrower fails to repay the Loan on the Repayment Date;</li> <li>(b) If the Borrower fails to perform or observe any of the covenants or provisions of the New Facility agreement;</li> <li>(c) if the Borrower has made any false, inaccurate or misleading statements having a material effect on the provision of the loan amount by the Lender;</li> <li>(d) if, without the Lender's prior written consent, effective control of the Borrower or any guarantor is altered to any material extent from 21 August 2023. Effective control of the borrower or any guarantor means: <ul style="list-style-type: none"> <li>(i) Control of the composition of the board of directors of the Borrower or that guarantor;</li> <li>(ii) Control of more than half of the voting power of the Borrower or that guarantor; or</li> <li>(iii) Control of more than half of the issued share capital of the Borrower or that guarantor, excluding any part of it which carries no right to participate beyond a specified amount in the distribution of either profit or capital;</li> </ul> </li> <li>(e) the continued performance of the obligations of the Borrower under this Agreement or of the Borrower or any guarantor under the security contravenes any applicable statute, ordinance, proclamation, rule, order, regulation or any governmental or other authority;</li> <li>(f) if the security, if any, becomes unenforceable or ceases to be fully binding for any reason other than discharge or release in accordance with its terms; or</li> <li>(g) If there is a material adverse change, in the Lender's opinion, in the business or financial condition of the Borrower or any guarantor.</li> </ul>
<b>Security</b>	First registered mortgage over 18 Olympic Cct, Southport, Queensland 4215, a fixed and floating charge over all of the assets of the Borrower, an unlimited guarantee and indemnity given by deed by the Company for the obligations of the Borrower under the New Facility, and a fixed and floating charge over all of the assets of the Company in favour of the Lender to secure the obligations of the Company under the Company's guarantee.

### Breach of ASX Listing Rule 10.1

Recently, the Company has become aware that AOH is a related party of the Company under the Corporations Act 2001 (Cth) because AOH's controller is a related party.

ASX Listing Rule 10.1 requires a company to ensure that neither it nor its subsidiaries acquire or agree to acquire a substantial asset from certain entities including a related party and associates without the approval of shareholders of the company. The Company came to breach ASX Listing Rule 10.1 because it did not obtain prior approval from its shareholders to grant the security provided under the New Facility to AOH, a related party.

### Remedial Action

By way of remedial action, the Company will convene an extraordinary general meeting of its shareholders as soon as is reasonably possible to seek approval for the security granted to AOH. Please see below the indicative timetable.

Liaise with and obtain quotes from potential independent experts	20 December 2023
Engage an independent expert	22 December 2023
Obtain the final independent expert report (independent expert report may be delayed due to the holiday period and subject to the ability of the independent expert to finalise the report)	Week ending 1 March 2024
Call a meeting of members	Within 2 business days of obtaining a final independent expert report
Hold a meeting of members	31 days from the date of the notice of meeting calling the meeting

The Company is confident of its ability to comply with ASX Listing Rule 10.1 in the future. Its breach was inadvertent, it was not aware AOH was a related party relationship, the New Facility was acquired in an emergency situation and the Company is committed to working with the ASX and undertaking all necessary remedial action. It will also take appropriate precautions to ensure that breaches of the ASX Listing Rules do not occur in the future.

#### Authorisation

This ASX Announcement has been approved by the majority of the board of directors of Epsilon Healthcare Limited

ENDS

For further information, please contact:

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

Epsilon Healthcare Limited (**ASX: EPN**) is an Australian based, globally active healthcare organisation. EPN operates a diversified and vertically integrated portfolio of assets, including healthcare and clinics operation & a pharmaceutical contract development and manufacturing organisation.