



ASX RELEASE (27 APRIL 2021)

Q1 2021 Quarterly Update & Appendix 4C

Highlights:

- Significant reduction in net cash used in operating expenses of 23% over Q4 2020
- Cash receipts from customers growth of 43% compared to Q1 2020 to \$1.76 million
- Strong reportable cash position at end of quarter of \$4.62 million
- Southport Facility capabilities continue to expand with installation of new high volume production equipment and additional licencing activities
- Significant inbound interest received for extraction and bottling of oils and secondary packaging of dried flower with purchase orders expected to soon be settled
- Tetra Health recorded its best month by patient consults in March 2021, with the second best also being in Q1 2021 (January 2021)
- Successful launch of first in-person Tetra clinic, with further launches targeted for Q2-Q3 2021 in New South Wales, Queensland, and Victoria

Epsilon Healthcare Limited (ASX:EPN) (**Epsilon** or the **Company**) reports on its activities and provides its Appendix 4C for the quarter ended 31 March 2021.

As disclosed in the Q4 2020 Appendix 4C, the Company has now realised the bulk of the cost savings implemented following the September 2020 Strategic Review, with a further reduction in net cash used in operating expenses of 23% compared to Q4 2020.

Moving forward the Company expects its normalised run rate to continue to decrease and to be in the order of ~\$450,000-500,000 per month from May onward representing a saving of over \$700,000 per month given the run rate prior to the appointment of the current executive team in September was in excess of 100% higher than present.

Notwithstanding the scale back of costs the Company has also continued its strong growth in revenue, recording a 43% increase in cash receipts of customers to \$1.76 million in Q1 2021 against Q1 2020.

Southport Expansion and Capabilities

Following the strategic review of the CEO and COO at the Southport Facility, the Company has completed the installation of further new equipment, including a conveyor system for the filling and torquing of cannabis oil bottles in a production line. This equipment is expected to commence operating within the next week, following Therapeutic Goods Administration inspection this week.

This equipment will significantly increase the Company's production throughput of finished product for sale as TGA and EU GMP compliant medicine for Australia and export markets.

The Southport Facility is additionally in the final stages of validation and licencing to enable the Company to commence offering primary and secondary packaging of dried flower under its TGA GMP Manufacturing Licence, for which the Company has received significant inbound demand. Equipment to facilitate this production line, including securing an induction sealer, has been completed.

The Company expects to receive final binding purchase orders for these production lines within the next month, and will provide further updates as these are secured and production under them commences.

Tetra Health Achieves Record Month and Quarter

Over Q1 2021, the Company's clinic business, Tetra Health, recorded two of its best ever months by number of initial patient consultations – March 2021 followed by January 2021. The Company expects this growth to continue, primarily driven by increased patient demand for dried flower products and increased patient awareness of medicinal cannabis accessibility.

The Company additionally recorded its highest monthly revenue in March 2021, however the cash receipt of this revenue is not fully reflected in this Appendix 4C.

Additionally, in March 2021, the Company launched its first Tetra Health in-person clinic. As the patient is seeing a doctor in person, the patient is able to access Medicare rebates on their treatment making the out-of-pocket cost similar to current telehealth patients whilst increasing per-patient revenue for the Company.

The Company is looking to expand this model across other sites in Victoria, as well as launching in New South Wales and Queensland in the coming months.

Additional Disclosure

As required by the ASX Listing Rules, the Company notes that payments made to related parties and their associates in Q1 2021 were all related to remuneration for services under existing services agreements, with no non-remuneration related payments made in the quarter.

Jarrold White, Group Chief Executive Officer of Epsilon, commented:

"I am pleased to report the success of the initiatives which were implemented throughout the last quarter of 2020 that are now scaling the offering of the Epsilon Group of Companies to be seen as a true market participant in the Global Medicinal Cannabis landscape.

"In addition to putting in place material cost reductions we have been successful in materially increasing the volume of requests for pricing and quotes for purchase orders which is aligned with our strategic vision to place the Southport facility as a true toll manufacturer and essential industry participant to the Medicinal Cannabis sector.

"Combined with Tetra's success in increasing its own scale and distribution in that same market I am pleased to report the growth, and signal the overall positive direction for Group as a whole in continuing to execute on these core areas which are essential to scale our Group's operations into a stronger business during our new 2021 financial year.

"These are initiatives that we are well advanced on and with the support of our wider executive team and Board I look forward to reporting further as we move to deliver on that brief".

For further information, please contact:



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ASX release authorised by the EPN Board of Directors.

Epsilon Healthcare Limited (ASX: EPN) – epsilonhelthcare.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 cannabis manufacturing facility in the Southern Hemisphere, the Tetra Health clinic group, and the Medimar Platform – an end-to-end ecommerce solution for nutraceuticals and cannabis. EPN additionally operates a turn-key cannabis cultivation solutions provider based in Vancouver, Canada.

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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,755	1,755
1.2 Payments for		
(a) research and development	(176)	(176)
(b) product manufacturing and operating costs	(1,297)	(1,297)
(c) advertising and marketing	(42)	(42)
(d) leased assets	(144)	(144)
(e) staff costs	(1,485)	(1,485)
(f) administration and corporate costs	(341)	(341)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(155)	(155)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,885)	(1,885)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(473)	(473)
(d) investments	-	-
(e) intellectual property	(40)	(40)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	50	50
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(463)	(463)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,968	6,968
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,885)	(1,885)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(463)	(463)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	7	7
4.6	Cash and cash equivalents at end of period	4,627	4,627

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,627	6,968
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,627	6,968

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	247
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>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	4,000	4,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	4,000	4,000
7.5 Unused financing facilities available at quarter end		-
7.6 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. On 30 April 2020, the Company entered into a \$4,000,000 secured debt facility. The facility is repayable at any time on or before 31 October 2021 and attracts interest at 1.25% per calendar month. Please refer to the ASX Announcement dated 30 April 2020 for further details.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,885)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,627
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,627
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.5
<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?	
Answer: 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?	
Answer: 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?	
Answer: N/A	
<i>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.</i>	

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: 27 April 2021

Authorised by: EPN Board of Directors
(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.