



epsilon
HEALTHCARE

Appendix 4E
Preliminary Final Report
for the Year Ended
31 December 2022

ACN: 614 508 039

Appendix 4E

Preliminary final report

Name of entity:

Epsilon Healthcare Limited
(Formerly known as THC Global Group Limited)

ABN or equivalent company
reference:

33 614 508 039

1. Reporting period

Reporting period:

Year ended 31 December 2022

Previous corresponding period:

Year ended 31 December 2021

2. Results for announcement to the market

				Current Year 2022 \$
2.1 Revenue from ordinary activities	Up	29.4%	to	7,112,194
2.2 Loss from ordinary activities for the period after tax attributable to members	Up	42.2%	to	(12,667,469)
2.3 Net Loss for the period attributable to members	Up	51.7%	to	(12,667,469)
2.4 Dividends	Amount per security		Franked amount per security	
Final dividend	Nil		N/A	
Interim dividend	Nil		N/A	

2.5 Record date for determining entitlements to the dividends

N/A

2.6 Brief explanation of any of the figures reported above to enable the figures to be understood:

Revenue and loss from ordinary activities is attributable to:

- Significant investment and focus by the Company towards growth of the medical cannabis operations;
- Other income includes R&D tax incentives;
- Other operating expenses fell generally, again due to managements continued efforts to conserve working capital and continued focus on operational efficiencies.

3. Consolidated Statement of Comprehensive Income

	Current Period 31 Dec 2022 \$	Previous Period 31 Dec 2021 \$
Revenue from continuing operations	7,112,194	5,498,149
Cost of goods sold	(5,775,254)	(3,442,528)
Gross profit	1,336,940	2,055,621
Other income	263,851	2,479,293
Freight and other selling expenses	(283,414)	(283,414)
Professional expenses	(846,215)	(933,715)
Corporate and consulting expenses	(518,233)	(498,372)
Plant and facility costs	(433,169)	(397,602)
Research and development expenses	(375,557)	(171,097)
License and registration fees	(92,153)	(132,227)
Employee benefits expense	(2,575,066)	(4,272,573)
Advertising and promotion expenses	(58,024)	(134,278)
Insurance expenses	(592,127)	(591,805)
Bad debts expense	-	-
Depreciation and amortisation expense	(1,855,511)	(1,557,921)
Impairment expense	(2,554,119)	(2,515,114)
Finance expenses	(577,549)	(799,393)
Office and occupancy expenses	(645,614)	(591,940)
Administration expenses	(693,307)	(895,944)
Foreign exchange (loss)/gain	(19,722)	(31,215)
Share based payments	-	(1,094,122)
Loss on PPE	(398,212)	-
Interest – Leases	(100,077)	-
Other expenses	(1,650,193)	-
Loss before income tax	(12,677,469)	(10,365,818)
Income tax expense	-	1,457,421
Loss after income tax expense from continuing operations	12,667,469	(8,908,397)
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations, net of tax	-	67,655
Items that will not be reclassified subsequently to profit or loss		
Gain on revaluation of land and buildings, net of tax	-	488,549
Total comprehensive Profit/(loss) for the year	12,667,469	(8,352,193)
Attributable to:		
Members of the Parent Company		
Basic loss per share	(6.56 cents)	(4.61 cents)

4. Consolidated Statement of Financial Position

	Current Period 31 Dec 2022 \$	Previous Period 31 Dec 2021 \$
Current Assets		
Cash and cash equivalents	861,985	2,335,569
Trade and other receivables	3,145,018	2,163,334
Inventory	611,092	2,420,343
Other assets	756,933	705,030
Total Current Assets	5,375,029	7,624,276
Non-Current Assets		
Property, plant and equipment	15,081,784	17,207,357
Right-of-use assets	537,775	429,380
Intangible assets	-	504,699
Goodwill	-	4,472,985
Other assets	116,462	126,891
Total Non-Current Assets	15,736,021	22,741,312
Total Assets	21,111,049	30,365,588
Current Liabilities		
Trade and other payables	4,653,477	2,384,128
Contract liabilities	101,120	158,424
Borrowings	2,550,108	3,551,139
Employee benefits	627,356	409,646
Lease liabilities	(10,737)	115,126
Total Current Liabilities	7,921,324	6,618,463
Non-Current Liabilities		
Deferred tax liability	2,648,710	2,592,003
Lease Liabilities	660,028	660,028
Total Non-Current Liabilities	3,308,738	3,252,031
Total Liabilities	11,230,062	9,870,494
Net Assets	9,880,987	20,495,094
Equity		
Contributed entity	46,875,684	44,817,618
Other contributed equity	-	175,000
Reserves	11,976,871	11,471,792
Accumulated losses	(48,971,567)	(35,969,316)
Total equity	9,880,987	20,495,094

5. Consolidated Statement of Cash Flows

	Current Period 31 Dec 2022 \$	Previous Period 31 Dec 2021 \$
Cash flows from operating activities		
Receipts from customers	3,156,505	5,378,651
Payments to suppliers and employees	(6,425,618)	(11,298,479)
Research and development tax incentive received	1,107,248	1,016,491
Interest received	-	19,826
Finance costs	(408,789)	(502,356)
Net cash used in operating activities	(2,570,654)	(5,385,867)
Cash flows from investing activities		
Payments for plant and equipment	(529,401)	(747,711)
Payments for land and buildings	-	-
Payments for intangible assets	-	(39,883)
Proceeds from disposal of plant and equipment	-	50,000
Acquisition of subsidiary	-	-
Net cash used in investing activities	(529,401)	(737,594)
Cash flows from financing activities		
Principal payment of lease liabilities	-	(564,702)
Proceeds from shares issued net of costs	2,889,036	2,513,603
Proceeds from conversion of options	-	-
Loans repaid by related parties	-	-
Loans repaid to institutions	(1,281,912)	(477,159)
Net cash used in financing activities	1,607,124	1,471,742
Net (decrease)/increase in cash and cash equivalents	(1,492,930)	(4,651,719)
Cash and cash equivalents at the beginning of the year	2,335,569	6,967,941
Effects of exchange rate changes on cash	19,346	19,347
Cash and cash equivalents at the end of the year	861,986	2,335,569

6. Consolidated Statement of Changes in Equity

	Contributed equity	Other contributed equity	Accumulated losses	Reserves	Total
	\$	\$	\$	\$	\$
Balance at 1 January	41,801,459	-	(27,076,700)	10,594,306	25,319,065
Loss for the year	-	-	(8,908,397)	-	(8,908,397)
Other comprehensive income	-	-	-	556,204	556,204
Total comprehensive income for the year	-	-	(8,908,397)	556,204	(8,352,193)
Transactions with owners in their capacity as owners:					
Shares issued in the year	3,512,500	-	-	-	3,512,500
Costs of capital raising	(496,341)	-	-	-	(496,341)
Lapsing of performance shares' vesting conditions	-	-	15,781	(15,781)	-
Options vesting expense	-	-	-	337,063	337,063
Other contributed equity	-	175,000	-	-	175,000
Total transactions with owners	3,016,159	175,000	15,781	321,282	3,528,222
Balance at 31 December 2021	44,817,618	175,000	(35,969,316)	11,471,792	20,495,094
Balance at 1 January 2022	44,817,618	175,000	(35,969,316)	11,471,792	20,495,094
Loss for the year	-	-	(12,667,469)	-	(12,667,469)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	(12,667,469)	-	(12,667,469)
Transactions with owners in their capacity as owners:					
Shares issues in the year (net)	2,058,066	-	-	-	2,058,066
Performance shares cancelled	-	(175,000)	-	-	(175,000)
Options vesting expense and expiration	-	-	(334,782)	505,079	170,297
Total transactions with owners	2,058,066	(175,000)	(334,782)	505,079	2,053,363
Balance at 31 December 2022	46,875,684	-	(48,971,567)	11,976,871	9,880,988

7. Dividends (in the case of a trust, distributions)

Date dividend is payable	N/A
+Record date to determine entitlements to the dividend	N/A
If it is a final dividend, has it been declared?	N/A

Amount per security

		Amount per security	Franked amount per security at 30% tax (see note 4)	Amount per security of foreign source dividend
Final dividend:	Current year	NIL	N/A	N/A
Interim dividend:	Current year	NIL	N/A	N/A

Total dividend (distribution) per security (interim plus final)

	Current period	Previous period
Ordinary securities	N/A	N/A
Preference securities	N/A	N/A

8. Dividend or distribution plans in operation

N/A

The last date(s) for receipt of election notices for the +dividend or distribution plans

N/A

9. NTA backing

	Current Period 2022 Cents per Share	Prior Period 2021 Cents per Share
Net tangible asset backing per ordinary shares	4.44	6.96

10. Details of entities over which control has been gained or lost during the period

Controlled entities

	Country of Incorporation	Percentage Owned	Date Control Gained
N/A			

11. Details of associates and joint venture entities

N/A

For personal use only

12. Significant information

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position:

Please refer to section 2.6 above for information on the Group's financial performance.

13. Foreign entities set of accounting standards used in compiling the report (IAS)

The Company is not a foreign entity. Australian Accounting Standards have been applied consistently across all entities in the Group.

14. Commentary on the results for the period

14.1 Earnings per security (EPS)

	Current Period 2022	Previous Period 2021
Basic Loss per share	(6.56 cents)	(4.61 cents)

14.2 Returns to shareholders (Including distributions and buy backs)

	Current Period 2022 \$	Previous Period 2021 \$
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
Total	-	-

14.3 Significant features of operating performance

Please refer to section 2.6 above for information on the Group's financial performance.

14.4 Segment Information

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's two (2) main operating segments are:

- a) development and delivery of **medicinal cannabis**; and
- b) manufacture and distribution of hydroponics **equipment, materials and nutrients**.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The main source of revenue for these operating segments in the year to 31 December 2022 is from the development and delivery of its Medicinal Cannabis and business segment, reflecting a shift in investment and operational focus to the commercialization of the Company's Southport facility. Revenues and profit generated by each of the Group's operating segments, and segment assets, are summarised as follows:

	Hydroponics Equipment, Materials and Nutrients 31 Dec 2021 \$	Medicinal Cannabis 31 Dec 2021 \$	Unallocated 31 Dec 2021 \$	Total 31 Dec 2021 \$
Revenue				
External sales	2,831,975	2,666,174	-	5,498,149
Other	1,825	2,223,940	253,528	2,479,293
Total segment revenue	2,833,800	4,890,114	253,528	7,977,442
Segment operating result	(2,199,419)	(76,011)	(6,632,967)	(8,908,397)
Segment assets	1,501,882	25,550,000	3,313,706	30,365,588

	31 Dec 2022 \$	31 Dec 2022 \$	31 Dec 2022 \$	31 Dec 2022 \$
Revenue				
External sales	2,861,069	4,251,125	-	7,112,194
Other	-	-	-	-
Total segment revenue	2,861,069	4,251,125	-	7,112,194
Segment operating result	(927,414)	(4,640,580)	(7,099,414)	(12,667,469)
Segment assets	3,001,200	17,427,087	682,762	21,111,049

14.5 Report on trends in performance

Cashflows

- Overall net operating cash outflows experienced a reduction in part due to cost cutting efforts by management.

Revenue

- Growth of the medical cannabis operations saw sales of medicinal cannabis products increase.
- Other income includes R&D tax incentives.

Expenses

- Cost of goods have decreased proportionately to the revenue and segment type that the revenues related to.
- Other operating expenses fell generally, again due to management's continued efforts to conserve working capital and continued focus on operational efficiencies.

Balance Sheet

- A reduction in net assets is attributable to depreciation and impairment expenses.
- Increase in expected trade and other debtors, which was materially due to sales.

14.6 Report any factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.

The concentration on medicinal cannabis is aligned with Epsilon's previously announced strategic position towards focusing on its local medicinal cannabis operations and export opportunities to increase the size and scale of its medicinal cannabis, healthcare, and pharmaceutical operations.

Any other information required to be disclosed to enable the reader to compare the information presented with equivalent information for previous periods. This must include information needed by an investor to make an informed assessment of the entity's activities and results.

No further information.

15. Compliance statement

This report is based on accounts to which one of the following applies.

(Tick one)

✓

The accounts have been audited.
The accounts are in the process of being audited or subject to review.

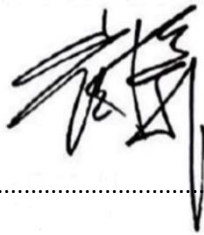
The accounts have been subject to review.
The accounts have not yet been audited or reviewed.

16. If the accounts have not yet been audited or subject to audit review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

The report is based upon the accounts which are in the process of being audited, and it is unlikely that there will be any dispute or qualification.

16. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

N/A



Sign here:

Date: 28 February 2023

Print name: Josh Cui Chairman.
as Approved by the Full Board of Directors

For personal use only