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epsilon

HEALTHCARE

ACN 614 508 039

Notice of
Annual General Meeting
11:00am (Sydney time) on 31 May, 2023

Meeting Venue:
Level 3, 1 James Place
North Sydney, NSW Australia

This is an important document. Please read it carefully.

Please speak to your professional advisers if you have any questions about this document or how to vote at the Meeting.



Notice of 2023 Annual General Meeting

Notice is hereby given that the 2023 Annual General Meeting of Epsilon Healthcare Limited (the **Company** or **EPN**) is to be held at 11:00 am (Sydney time) on Wednesday, 31 May, 2023. Voting on all resolutions will be conducted by poll.

Ordinary Business of the Meeting

Financial Statements and Reports

To receive the Company's financial statements and the reports of the Directors and the Auditor for the financial year ended 31 December 2022. There is no requirement for a formal resolution on this item.

1. Resolution 1: Non-binding resolution to adopt the Remuneration Report

To consider and if thought fit, pass the following as **a non-binding ordinary resolution**:

"That the Directors' Remuneration Report for the year ended 31 December 2022 be and is hereby adopted for the purposes of the *Corporations Act 2001* (Cth)"

Voting Exclusion Statement

A voting exclusion applies to this Resolution 1. The Company will disregard any votes cast (in any capacity, whether as proxy or as shareholder) by any of the following:

- a) Key Management Personnel;
- b) Closely Related Parties of Key Management Personnel; and
- c) as a proxy by a member of Key Management Personnel or a Key Management Personnel's Closely Related Party

However, the Company need not disregard a vote if it is:

- i. Cast by a person as proxy appointed in accordance with the directions on the proxy form that specify how the proxy is to vote on Resolution 1; and the vote is not cast on behalf of a person described in subparagraphs (a), (b) and (c) above; or
- ii. Cast by the chair of the Meeting as proxy appointed in accordance with the directions of the proxy form for a person who is entitled to vote, and such appointment on the proxy form expressly authorises the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is not cast on behalf of a person described in subparagraphs (a), (b) and (c) above.



Election of Directors

2. Resolution 2: Ordinary Resolution to Elect Josh Cui as a Director

To Consider and if thought fit, pass the following as **an ordinary resolution**:

"That, Josh Cui, who was appointed during the year retires in accordance with Clause 58.1.1 of the Company's Constitution and being eligible, offers himself for re-election be re-elected as a director of the Company

3. Resolution 3: Ordinary Resolution to Elect Alan Beasley as a Director

To consider and if thought fit, pass the following as **an ordinary resolution**:

"That, Alan Beasley, who was appointed during the year retires in accordance with Clause 58.1.1 of the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a director of the Company."

4. Resolution 4: Ordinary Resolution to Elect Stuart Cameron as a Director

To consider and if thought fit, pass the following as **an ordinary resolution**:

"That, Stuart Cameron, who was appointed during the year retires in accordance with Clause 58.1.1 of the Company's Constitution and being eligible, offers himself for re-election be re-elected as a director of the Company."

Other Business

5. Other Business

To transact any other business which may be legally brought before this Annual General Meeting, in accordance with the Company's Constitution and the *Corporations Act 2001* (Cth).

Josh Cui

Chairman

Epsilon Healthcare Limited

28 April 2023



Explanatory Statement

This Explanatory Statement is intended to provide shareholders of Epsilon Healthcare Limited (EPN or the Company) with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

If you have any queries regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact Epsilon Healthcare Limited or seek advice from your professional advisors.

Financial Statements and Reports

Financial Statements and Reports – Financial Year Ended 31 December 2022

The *Corporations Act 2001 (Cth)* (the Corporations Act) requires the Financial Report, Directors' Report and Auditor's Report for the past financial year to be tabled before the Annual General Meeting, and the Company's Constitution provides for such reports to be received and considered at that meeting. Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders at the Annual General Meeting on such Reports. The Annual General Meeting provides a forum for shareholders to ask questions and make comments on the Company's reports and accounts and on the business and operations of the Company for the year ended 31 December 2022.

In addition, at the meeting, shareholders may ask questions of the auditor in relation to the following:

- the conduct of the audit;
- the content of the auditor's report;
- the accounting policies adopted by the Company for the preparation of the financial statements; and
- the auditor's independence in relation to the above items.

Shareholders may view the Company's 2022 Annual Report on the Company's website: epsilonhc.com.

Resolution 1: Non-binding resolution to adopt the Remuneration Report

In accordance with Section 250R(2) of the Corporations Act a resolution that the Remuneration Report be adopted must be put to a vote at the Company's Annual General Meeting. The vote on this resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's 2022 Annual Report and is also available from the Company's website.

The Remuneration Report:

- describes the policies behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of executives and the Company's performance;
- sets out the remuneration arrangements in place for each director and for certain members of the senior management team; and
- explains the difference between the bases for remunerating non-executive directors and senior executives, including the Chief Executive Officer.



If Resolution 1 receives a 'No' vote of 25% or more of the votes cast at the meeting, the Company's Remuneration Report for 2023 will include a report on actions taken by the Board in response. The Board will take the outcome of the vote, even if less than 25% 'No' into consideration when reviewing the Company's remuneration policy. There has not been a 'No' vote of more than 25% in any past years.

Directors Recommendation

The Directors unanimously recommend that the shareholders vote in favour of adopting the Remuneration Report. The Chairman intends to vote all undirected proxies in favour of Resolution 1.

Voting Exclusion Statement

A Voting Exclusion Statement applies to this Resolution 1 relating to Key Management Personnel identified in the 2022 Annual Report and their Closely Related Parties as these terms are defined in the Corporations Act.

Election of Directors

Resolutions 2, 3 and 4: Ordinary Resolutions to Elect Josh Cui, Alan Beasley and Stuart Cameron as Directors

The Company's Constitution requires that if a director is elected to office by directors during the year after an AGM of the Company then they are required under clause 58.1.1 to seek re-election at the next AGM. Accordingly, Messrs Josh Cui, Alan Beasley and Stuart Cameron seek re-election at this Annual General Meeting.

Mr Cui's Biography

Josh Cui is the Managing Director at Watercrest Capital, a global private investment firm specialising in managing alternative investments and dealing with multiple asset classes. Mr Cui manages private equity, energy resources, hedge funds, fixed income, forex exchange and real estate development. Josh currently holds an RG 146 Forex certificate and The Securities Qualification Certificate from SAC. He holds a bachelor degree in finance at The Australian National University and a master degree in professional accounting at UNSW. Additionally, he has 10 years of experience as a professional investor specialising in generating investment returns by leveraging flexible investment strategies. Josh has been focused on primary market capital raising and PE investment not just in Australia, but also the Asia Pacific area. He is an expert at investing in the capital market with a global macrostrategy. Josh also has experience in primary/secondary market investments, hedge fund and other entities, capital market fund raising, IPO and M&A.

Mr Beasley's Biography

Mr Beasley has worked in the Investment Banking and Investment Management industries for over 30 years with Bankers Trust Australia, Goldman Sachs Asset Management, and BNP Paribas Asset Management Ltd. The last two positions as Managing Director and Australian Country Head. Mr Beasley is a director and former director of several listed and unlisted public and private companies including two public charities.

Mr Beasley has a passion for and experience in assisting to bring innovative and new technology companies to market, especially in the Health and Life Sciences sectors. Alan graduated with a Bachelor of Economics, (UNE) and completed an Advanced Management Program in International Investment Management from the Graduate Business School, Stanford University, USA.



Mr Beasley is a Certified Practising Accountant, (CPA) Fellow of the Governance Institute of Australia, (FGIA) and Fellow of the Australian Institute of Company Directors. (FAICD).

Mr Cameron's Biography

Mr Cameron is a partner of chartered accounting firm KS Black & Co. and has previously worked for KPMG, PKF and DBO, he has an extensive knowledge in business advisory services, including corporate finance and structuring advice. His clients range from Public listed companies to large proprietary companies and not-for-profit organisations. He is a fellow of Chartered Accountants Australia and New Zealand and a Certified Internal Auditor.

Mr Cameron is a significant shareholder in Epsilon and has an in-depth understanding of the Company's operations with KS Black & Co having acted as the Company's auditors since incorporation until 2020.

Directors Recommendation

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolutions 2, 3 and 4.

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Further Information

For further information, please contact the Company at corporate@epsilonhc.com.

Voting Information Pursuant to Regulation 7.11.37 of the Corporations Regulation 2001 (Cth) the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00 pm (Sydney time) on 29 May 2023.

Voting in person: To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy: To vote by proxy, please complete and sign the enclosed Proxy Form and return it in accordance with the instructions set out in the Voting form so it is received no later than 11:00 am (Sydney time) on 29 May 2023.

Pursuant to section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, then in pursuant to section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

If a Proxy Form is signed by an attorney, the original or a certified copy of the power of attorney or other authority under which the Proxy Form is signed must be provided to the Company's share registry in the manner specified in the Proxy Form by no later than 11:00 am (Sydney time) on 29 May 2023.

Voting by corporate representative: A Shareholder or proxy which is a corporation and entitled to attend and vote at the Meeting may appoint an individual to act as its corporate representative to vote at the Meeting. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment and lodge it with the registration desk unless it has been previously provided to the Company's share registry by the time and in the manner specified in the Proxy Form.

Voting by attorney: Pursuant to Clause 54.1 of the Company's Constitution a Shareholder entitled to attend and vote at the Meeting is entitled to appoint an attorney to attend and vote at the Meeting on the Shareholder's behalf. An attorney does not need to be a Shareholder. The power of attorney appointing the attorney must be signed and specify the name of each of the Shareholder, the Company and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one. To be effective, the power of attorney (or certified copy) must also be returned in the same manner and time as specified for Proxy Form or otherwise lodged at the registration desk on the day of the Meeting.

Key Management Personnel: the Chair of the meeting may vote an undirected proxy (ie. a proxy that does not specify how it is to be voted), provided the shareholder who has lodged the proxy has given informed consent, in the form of an express voting direction to the chair to exercise the undirected proxy, even if the resolution is connected with the remuneration of a member of Key Management Personnel (**Informed Consent**).

The Company recommends that shareholders consider the following options to ensure the validity of their votes:

- that shareholders direct proxies on a remuneration related resolution instead of leaving them undirected; or
- that shareholders nominate a proxy who is not a member of Key Management Personnel or any of their Closely Related Parties to vote on a remuneration related resolution; or
- that shareholders who wish to vest their undirected proxies in the chair on a remuneration related resolution ensure that they follow instructions provided on the proxy form in order to provide Informed Consent.

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact

EPN
SAMPLE ESTATE
FLAT 13
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Epsilon Healthcare Limited Annual General Meeting

The Epsilon Healthcare Limited Annual General Meeting will be held on Wednesday, 31 May 2023 at 11:00am (Sydney time). You are encouraged to participate in the meeting using the following options:



MAKE YOUR VOTE COUNT

To lodge a proxy, access the Notice of Meeting and other meeting documentation visit www.investorvote.com.au and use the below information:



Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

For your proxy appointment to be effective it must be received by 11:00am (Sydney time) Monday, 29 May 2023.



ATTENDING THE MEETING IN PERSON

The meeting will be held at:
Level 3, 1 James Place, North Sydney, NSW Australia.


You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.


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EPN

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?

 **Phone:**
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

 **Online:**
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received **11:00am (Sydney time) Monday, 29 May 2023.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise, this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Epsilon Healthcare Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Epsilon Healthcare Limited to be held at Level 3, 1 James Place, North Sydney, NSW Australia on Wednesday, 31 May 2023 at 11:00am (Sydney time) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention in step 2) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To re-elect Josh Cui as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To re-elect Alan Beasley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To re-elect Stuart Cameron as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

<input type="text"/>	<input type="text"/>	<input type="text"/>	____/____/____
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details (Optional)

<input type="text"/>	<input type="text"/>
Mobile Number	Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communication electronically

EPN

298969A



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HEALTHCARE

Consolidated Financial Report for the Year
Ended 31 December 2022

ACN: 614 508 039

2022 FINANCIAL REPORT

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CORPORATE INFORMATION

EPSILON HEALTHCARE LIMITED (ASX: EPN)

Directors

Josh Cui (Chairman)
Alan Beasley (Deputy Chairman)
Stuart Cameron

Auditor

A D Danieli Audit Pty Ltd
Level 1, 261 George Street
Sydney NSW 2000

Company Secretary

Marcelo Mora

Stock Exchange Listing

Epsilon Healthcare Limited securities are listed on the Australian Securities Exchange (ASX code: EPN)

Registered Office

Level 17
9 Castlereagh Street
Sydney NSW 2000

Website

epsilonhealthcare.com.au

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

I am pleased to present to you the 2022 Annual Report for Epsilon Healthcare Limited (ASX:EPN) (**Epsilon** or the **Company**).

Over the past year the Company has focussed on expanding its medicinal cannabis and pharmaceuticals business operations centred around the Southport Facility and the Tetra Health clinic network, including securing key partnerships which have helped to deliver increased production volumes and stronger revenues.

Over 2022, we:

- changed our focus towards healthcare and pharmaceutical manufacturing with Tetra Health and the Southport Facility;
- expanded the Tetra Health clinic business from only telehealth into in-person consultations partnering with leading medicinal cannabis dispensing pharmacies;
- saw continued quarter-on-quarter increases in revenue and patient consultations from Tetra Health reflecting its market leading product agnostic and patient focussed approach continuing to win over patients; and
- brought the Company closer towards profitability through continued run rate expense reductions and increased revenues from the Southport Facility.

Notwithstanding these achievements, unfortunately shareholders have seen a continued downward trend in the Company's share price which we see as being part of a broader global negative sentiment in the medicinal cannabis equity markets over the year. The Company's Board and Management remain highly confident that the Company's fundamentals and financial performance continue to improve and look towards 2023 being a better year for the Company's shareholders.

On behalf of the Board and Management, I thank all shareholders for their continued support of the Company.



Josh Cui
Chairman

31 March 2023

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DIRECTORS' REPORT

Your directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Epsilon Healthcare Limited, referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2022.

Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

Josh Cui	Chairman (Appointed 28 October 2022)
Alan Beasley	Deputy Chairman (Appointed 22 September 2022)
Stuart Cameron	Non-Executive Director (Appointed 27 October 2022)
Steven Xiaobo Xu	Chairman, Non-Executive Director (Resigned on 1 November 2022)
Patrick Baiyu Xu	Executive Director (Resigned 21 September 2022)
Rob Jenny	Executive Director (Resigned on 7 August 2022)
Simon Rowe	Non-Executive Director (Resigned on 3 November 2022)

Company Secretary

Marcelo Mora (Appointed 23 December 2022)
Sonny Didugu (Resigned on 23 December 2022)
Louisa Ho (Resigned on 30 November 2022)

Information on Directors

Josh Cui

Appointed as Chairman 1 November 2022

Josh Cui is the Managing Director at Watercrest Capital, a global private investment firm specialising in managing alternative investments and dealing with multiple asset classes. Mr Cui manages private equity, energy resources, hedge funds, fixed income, forex exchange and real estate development.

Josh currently holds an RG 146 Forex certificate and The Securities Qualification Certificate from SAC. He holds a bachelor degree in finance at The Australian National University and a master degree in professional accounting at UNSW. Additionally, he has 10 years of experience as a professional investor specialising in generating investment returns by leveraging flexible investment strategies. Josh has been focused on primary market capital raising and PE investment not just in Australia, but also the Asia Pacific area. He is an expert at investing in the capital market with a global macro-strategy.

Josh also has experience in primary/secondary market investments, hedge fund and other entities, capital market fund raising, IPO and M&A.

Special responsibilities	None
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Other current ASX directorships:	None
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Former ASX directorships in last 3 years	None
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Alan Beasley

Deputy Chairman

Appointed 22 September 2022

BEC, FAICD, FGIA, FCIS, CPA.

Alan has worked in the Investment Banking and Investment Management Industries for over 30 years with BankersTrust Australia, Goldman Sacks Asset Management, BNP Paribas Asset Management Ltd. The last two positions as Managing Director and Australian Country Head. Alan is a Director and former Director of several listed and unlisted public and private companies including two public charities.

Special responsibilities	None
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Other current ASX directorships:	Hudson Investment Group Ltd
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Former ASX directorships in last 3 years	None
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Stuart Cameron

Non-Executive Director

Appointed 27 October 2022

BEC LLM FCA

Stuart is a Chartered Accountant having many years of experience dealing with listed public companies.

Special responsibilities	None
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Other current ASX directorships:	None
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Former ASX directorships in last 3 years	None
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Steven Xu

(Non-Executive Director)

Appointed 12 January 2018

Resigned 1 November 2022

Steven Xu is the Managing Director of Une-Innovation Consulting Australia Pty Ltd and Founding Partner of INP Capital Inc which manages a series of venture capital funds. The venture capital funds invest in companies specialised in Medical/Healthcare, AI, Fintech and Industrial technology and Medical Cannabis across Australia, New Zealand, North America and Israel.

He has strong international connections and over 15 years' experience working at PricewaterhouseCoopers and listed companies in Australia and China. He specialises in financing, IPO and M&A activities in a broad range of sectors. Steven completed a Bachelor of Management.

He is a member of the Institute of Chartered Accountants (Australia and New Zealand) and the Australian Institute of Company Directors.

Special responsibilities	None
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Other current ASX directorships:	None
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Former ASX directorships in last 3 years	None
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Rob Jenny

Executive Director

Appointed 1 August 2021

Resigned 7 August 2022

Dr Rob Jenny is currently an executive at Cannvalate – an Australian medicinal cannabis services company – where he manages their business development activities in the Australian and New Zealand market. Rob has previously held management and research roles including at Ensign Laboratories – one of Australia's largest contract pharmaceutical manufacturers – Immunoglobulin Group, and Monash University.

Special responsibilities	None
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Other current ASX directorships:	None
---	------

Former ASX directorships in last 3 years	None
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Simon Rowe

Non-Executive Director

Appointed 1 August 2021

Resigned 3 November 2022

Mr Simon Rowe is currently the Supply Chain Transformation & Operations Leader ANZ at Kimberly-Clark – a Fortune 500 personal care company. Prior to that, Simon has held associate director and senior manager level roles within KPMG and EY advisory specialising in operational transformation and optimisation.

Special responsibilities	None
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Other current ASX directorships:	None
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Former ASX directorships in last 3 years	None
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Information on Key Management Personnel

Marcelo Mora

Company Secretary

Mr Marcelo Mora holds a Bachelor of Business degree and Graduate Diploma of Applied Corporate Governance. Mr Mora has been a Company Secretary and an accountant for more than 30 years providing financial reporting and company secretarial services to a range of publicly listed companies. Marcelo has been the Company Secretary since 23 December 2022.

Meetings of Directors (incorporating Audit and Remuneration Committees)

Director	Meetings	
	Attended	Eligible to Attend
Josh Cui	1	1
Alan Beasley	3	3
Stuart Cameron	1	1
Steven Xu	20	20
Simon Rowe	20	20
Rob Jenny	5	5

Review of Operations and Financial Results

The net loss after tax for the year was \$13,288,561 (2021 loss: \$9,243,178).

Principal Activities and Strategy

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

Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the financial period.

Matters Subsequent to Balance Date

Since the end of the reporting period:

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the directors believe it could potentially result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board considers that adequate systems are in place to manage the Group's obligations and is not aware of any breach of environmental requirements as they relate to the Group.

Dividends

No dividends were paid to members during the financial year (2021: \$Nil).

Indemnification of officers

During the financial year the Group paid premiums in respect of a contract insuring Directors and Executives against liabilities incurred in the ordinary course of business.

Proceedings on behalf of the Group

No person has applied to the Court for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group.

Non-audit services

As disclosed under Note 26, the Group's auditor did not provide any non-audit services during the 2022 financial year (2021: nil).

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on page 19.

Auditor

A D Danieli Audit Pty Ltd continue in office in accordance with section 327 of the Corporations Act 2001.

Shares under option

No shares were issued on exercise of options in the 2022 financial year.

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REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of the Group.

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives, and the ability of the Group to attract, motivate and retain highly skilled directors and executives.

Remuneration committee

The Remuneration and Nomination Committee of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The role of the Remuneration and Nomination Committee was undertaken by the full Board.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board of Directors recognises that the success of the Group will depend on the quality of its directors and its senior management. For this reason, the Remuneration Committee reviews the remuneration arrangements for all senior employees to ensure that it attracts and keeps motivated, highly skilled and appropriately qualified Directors and executives.

Structure

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined by shareholders in general meeting is then available to be split between the Directors as agreed between them. This determination will be put to shareholders at the next Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned between directors will be reviewed annually. The Board takes into account the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased by the directors on market).

Non-executive directors' remuneration is not linked to the performance of the Company.

The remuneration of directors for the year ending 31 December 2022 is detailed in Table 3 of this report. There is currently a maximum director payment pool of \$500,000 for non-executive directors.

Senior manager and executive director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee reviews market conditions and the circumstances of the Company to ensure that the remuneration offered is sufficient to attract executives of the highest calibre.

Fixed remuneration

The fixed remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

Short-Term and Long-Term Remuneration

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Equity Based Remuneration

The equity-based remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

Table 1: Shareholdings of key management personnel

2021	Opening balance	Granted as compensation	Acquired	Disposed	Closing balance
Alan Beasley	880,000	-	-	880,000	-
Steven Xu	1,830,636	-	-	-	1,830,636
Lou Cattelan	327,803	-	-	-	327,803
Gary Radcliff	207,516	-	-	-	207,516
Jarrod White	249,786	1,250.00	-	-	1,499,786
Sonny Didugu	521,373	1,000,000	-	-	1,521,373
Rob Jenny	-	-	-	-	-
Simon Rowe	245,000	-	-	-	245,000
Laura Harvey	-	-	-	-	-
Total	4,262,114	2,250,000	-	880,000	6,512,114

2022	Opening balance	Granted as compensation	Acquired	Disposed	Closing balance
Josh Cui	-	-	35,828,878	-	35,828,878
Alan Beasley	-	-	-	-	-
Stuart Cameron	-	-	8,438,499	-	8,438,499
Total	-	-	44,267,377	-	44,267,377

*Note these holdings are held indirectly.

Table 2: Option holdings of key management personnel

2021	Opening balance	Granted as compensation	Acquired	Exercised	Lapsed	Closing balance
Jarrold White	-	2,800,000	-	-	2,800,000	-
Sonny Didugu	-	2,000,000	-	-	2,000,000	-
Total	-	4,800,000	-	-	4,800,000	-

†Option holdings at date of removal

Employee options

The Company established an Employee Option Plan (EOP) plan that was approved by shareholders at the Extraordinary General Meeting held on 15 November 2018, which was re-adopted at the 2021 Annual General Meeting for the purpose of ASX Listing Rule 7.2 Exception 13. The EOP is designed to provide long term incentives to senior executives to deliver long-term shareholder returns. Under the plan, employees are granted options which vest if certain criteria are met.

2022

Nil.

Table 3: Details of remuneration

		Salary and fees	Other fees	Post-employment benefits	Share based payments	Total
Name		\$	\$	\$	\$	\$
Executive Directors						
Rob Jenny	2021	-	-	-	-	-
	2022	-	-	-	-	-
Non-Executive Directors						
Steven Xu	2021	144,999	-	-	-	144,999
	2022	123,334	-	-	-	123,334
Simon Rowe	2021	20,800	-	-	-	25,000
	2022	37,500	-	-	-	50,000
Alan Beasley	2021	32,083	-	-	-	32,083
	2022	-	-	-	-	-
Lou Cattelan	2021	29,186	-	-	-	29,186
	2022	-	-	-	-	-
Gary Radcliff	2021	53,788	-	-	-	53,788
	2022	-	-	-	-	-
Josh Cui	2021	-	-	-	-	-
	2022	-	-	-	-	-
Patrick Xu	2021	-	-	-	-	-
	2022	21,667	-	-	-	21,667
Stuart Cameron	2021	-	-	-	-	-
	2022	-	-	-	-	-
Subtotal – Non-Executive Directors	2021	285,056	-	-	-	285,056
	2022	195,001	-	-	-	195,001
Key Management Personnel						
Jarrod White – CEO	2021	293,000 ¹	-	-	312,500	605,500
	2022	84,000	-	-	-	84,000
Sonny Didugu - COO	2021	244,000 ²	-	-	250,000	494,000
	2022	84,000	-	-	-	84,000
Diandra Phipps	2021	-	-	-	-	-
	2022	-	-	-	-	-
Laura Harvey	2021	236,565	-	-	-	236,565
	2022	20,236	-	-	-	20,236
Subtotal – Key Management Personnel	2021	773,565	-	-	562,500	1,336,065
	2022	188,236	-	-	-	188,236
Total	2021	1,058,621	-	-	562,500	1,621,121
	2022	383,237	-	-	-	383,237

Notes:

1. CEO fees paid to an entity related to Mr White;
2. COO fees paid to an entity related to Mr Didugu.

All payments to related parties are on arms' length terms and at rates comparable to the market rate or average for these contracts. All contracts have received Board approval.

Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Steven Xu
Title:	Chairman, Non-Executive Director
Agreement commenced:	12 January 2018
Term of agreement:	No fixed term
Details:	Consultancy fees of \$12,083 per month, subject to annual review, with all fees to be paid out of the non-executive directors' remuneration pool.

Name:	Simon Rowe
Title:	Non-Executive Director
Agreement commenced:	1 August 2021
Term of agreement:	No fixed term
Details:	Consultancy fees of \$5,000 per month, subject to annual review, with all fees to be paid out of the non-executive directors' remuneration pool.

Name:	Rob Jenny
Title:	Executive Director
Agreement commenced:	Appointed 1 August 2021
Term of agreement:	No fixed term
Details:	Rob Jenny's officeholding as a director of the Company is pursuant to a relationship between the Company and Cannvalate Pty Ltd as first disclosed on 9 September 2021. The Company's relationship with Cannvalate is terminable at any time by the Company or Cannvalate, and on such termination, Rob Jenny's officeholding as a director will cease.

Name:	Jarrold White
Title:	Chief Executive Officer
Agreement commenced:	Agreement precedes appointment to current role.
Term of agreement:	12 months
Details:	Consultancy fees of \$14,000 per month, subject to annual review.

Name:	Sonny Didugu
Title:	Chief Operating Officer
Agreement commenced:	Agreement precedes appointment to current role.
Term of agreement:	12 months
Details:	Consultancy fees of \$12,000 per month, subject to annual review.

Performance of the company and shareholder returns

The application of the Group's executive reward framework has regard to shareholder return indices. Options issued to executives have exercise prices set at significant premiums to the share price at issue dates. Other with nil exercise prices are subject to EPN's share price meeting a number of performance milestones.

Refer to Note 23 Share based payments for details of the valuation of these payments.

On behalf of the Directors,



Josh Cui

Chairman

31 March 2023

CORPORATE GOVERNANCE STATEMENT

Epsilon Healthcare Limited ('the Company') has adopted the Fourth Edition of the Corporate Governance Principles and Recommendations which became effective for financial years beginning on or after 1 January 2020.

The Company's Corporate Governance Statement for the financial year ending 31 December 2022 is dated as at 31 March 2023 and was approved by the Board on 31 March 2023. The Corporate Governance Statement is available on the Company's website at <https://epsilonhealthcare.com.au/corporate-governance>.

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A D Danieli Audit Pty Ltd

Authorised Audit Company
ASIC Registered Number 339233
Audit & Assurance Services

Level 1 261 George Street
Sydney NSW 2000

PO Box H88
Australia Square NSW 1215

ABN: 56 136 616 610

Ph: (02) 9290 3099

Email:
add3@addca.com.au
Website:
www.addca.com.au

**Auditor's Independence Declaration
Under Section 307c of The Corporations Act 2001
To the Directors of Epsilon Healthcare Limited
ABN 33 614 508 039
And Controlled Entities**

I declare that, to the best of our knowledge and belief, during the year ended 31 December 2022, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

A D DANIELI AUDIT PTY LTD

Sam Danieli

Sydney, 31 March 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December 2022	Year ended 31 December 2021
	Notes	\$	\$
Revenue from continuing operations	3	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	2,477,469
Freight and other selling expenses		(283,414)	(283,414)
Professional expenses		(587,540)	(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)
Licence 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		-	(68,503)
Depreciation and amortisation expense	12,13	(1,855,511)	(1,142,797)
Impairment expense	5	(4,472,985)	(2,515,114)
Interest		(577,549)	(870,220)
Office and occupancy expenses		(645,614)	(609,155)
Administration expenses		(693,307)	(894,123)
Foreign exchange (loss)/gain		(19,722)	(31,215)
Share based payments	23	-	(1,094,122)
Loss on PPE		(398,212)	-
Interest – Leases		(100,077)	-
Inventory written off		(611,092)	-
Loss before income tax		(13,288,561)	(10,107,242)
Income tax benefit/(expense)	7	-	864,064
Loss for the year		(13,288,561)	(9,243,178)
Other comprehensive income		-	-
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		-	68,607
Gain on revaluation of PPE		-	73,425
Total comprehensive loss for the year		(13,288,561)	(9,101,146)
Earnings per share			
- Basic/diluted losses per share (Cents)	27	(6.56)	(4.79)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	As at 31 December 2022 \$	As at 31 December 2021 \$
Assets			
Current Assets			
Cash and cash equivalents	8	861,985	2,335,569
Trade and other receivables	9	3,145,018	2,349,865
Inventory	10	-	2,420,343
Other assets	11	756,934	705,032
Total Current Assets		4,763,937	7,810,809
Non-Current Assets			
Property, plant and equipment	12	15,081,784	17,207,357
Right-of-use assets	13	537,775	429,380
Intangible assets	14	-	504,699
Goodwill	5	-	4,472,985
Other assets	11	116,462	126,891
Total Non-Current Assets		15,736,021	22,741,312
Total Assets		20,499,958	30,552,121
Liabilities			
Current Liabilities			
Trade and other payables	15	4,653,477	3,069,871
Contract liabilities	16	101,120	158,424
Borrowings	17	2,550,108	3,663,261
Employee benefits	18	627,356	128,909
Lease liabilities	13	-	115,126
Total Current Liabilities		7,932,061	7,135,591
Non-Current Liabilities			
Deferred tax liability	19	2,648,710	3,185,360
Lease liabilities	13	649,291	660,028
Total Non-Current Liabilities		3,298,001	3,845,388
Total Liabilities		11,230,062	10,980,979
Net Assets		9,269,896	19,571,142
Equity			
Contributed equity	20	46,875,684	44,817,619
Reserves	21	11,976,871	11,057,620
Accumulated losses		(49,582,659)	(36,304,097)
Equity		9,269,896	19,571,142

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	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 year	-	-	(8,908,397)	-	(8,908,397)
Other comprehensive income	-	-	-	556,204	556,204
Total comprehensive loss	-	-	(8,908,397)	556,204	(8,352,193)
Shares issued in the period	3,512,500	-	-	-	3,512,500
Costs of capital raising	(496,340)	-	-	-	(496,341)
Performance shares valuation	-	175,000	-	-	175,000
Options vesting expense	-	-	-	337,063	337,063
Options lapsed	-	-	15,781	(15,781)	-
Total transactions with owners	3,016,160	-	15,781	321,282	3,528,222
At 31 December 2021	44,817,619	175,000	(35,969,316)	11,471,792	20,495,094
At 1 January 2022	44,817,619	175,000	(35,969,316)	11,471,792	20,495,094
Loss for the year	-	-	(13,288,561)	-	(13,288,561)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	(13,288,561)	-	(13,288,561)
Shares issued in the period (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
At 31 December 2022	46,875,684	-	(49,582,659)	11,976,871	9,269,896

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December 2022	Year ended 31 December 2021
	Notes	\$	\$
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 outflow from operating activities	24	(2,570,654)	(5,385,867)
Cash flows from investing activities			
Payments for plant and equipment		(529,401)	(747,711)
Acquisition of intangible assets		-	(39,883)
Proceeds from disposal of PPE		-	50,000
Net cash outflow from 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
Principal payment of borrowings		(1,281,912)	(477,159)
Net cash inflow from financing activities		1,607,124	1,471,742
Net (decrease)/increase in cash and cash equivalents		(1,492,931)	(4,651,719)
Cash and cash equivalents at the beginning of the financial period		2,335,569	6,967,941
Foreign exchange adjustment to cash balance		19,347	19,347
Cash and cash equivalents at end of the year	8	861,985	2,335,569

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

1. Summary of significant accounting policies

These consolidated financial statements and notes represent those of the consolidated entity (referred to hereafter as the 'Group') consisting of Epsilon Healthcare Limited, (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2022.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are reported below. They have been consistently applied unless stated otherwise. All applicable new accounting standards have been adopted for the year ended 31 December 2022.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting policies

a. Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

b. Principles of Consolidation

A controlled entity is any entity Epsilon Healthcare Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the

consolidated financial statements as well as their results for the year ended.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Company.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the Consolidated Statement of Financial Position and in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

c. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The ability of the consolidated entity to continue as a going concern and realise its assets is dependent on a number of factors, the most significant of which is the ability to raise additional capital, source alternative funding, or increase its revenue and generate profits.

The Directors believe that Epsilon will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if Epsilon does not continue as a going concern.

d. Foreign currency translation

i. Functional currency

Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The functional currency of the Company is Australia dollars (AU\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

ii. Presentation currency

The financial statements are presented in Australian dollars, which is the Company's presentation currency.

Functional currency balances are translated into the presentation currency using the exchange rates at the balance date. Value differences arising from movements in the exchange rates are recognised in the Foreign Currency Translation Reserve.

e. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the

reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

f. Revenue recognition

Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

g. Income tax

The income tax expense (benefit) for the year comprises current income tax expense (benefit) and deferred tax expense (benefit).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (benefit) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the

same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

h. Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows. There is provision made in the Statement of Cash Flows to disclose the applicable GST refunds/payments that have been remitted to the ATO to accurately show the cash position of Epsilon Healthcare Limited.

i. Leases

The Group had early adopted AASB 16 Leases for the first time in the 2018 financial year.

Under AASB 16, all leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

j. Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses

are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

k. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

l. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

m. Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectibility of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes

financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as 'impairment expenses.' When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

n. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually payable within 30 days of recognition.

o. Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

p. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

q. Employee benefits

i. Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

ii. Retirement benefit obligations

The Group does not maintain a superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

r. Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

s. Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

t. Contributed equity

Costs directly attributable to the issue of new shares are shown as a deduction from the equity proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

u. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Land, buildings and improvements

Freehold land and buildings are carried at cost, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Freehold land and buildings are carried at cost, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Manufacturing facility

Manufacturing facility assets are measured under the revaluation model and accounted for at their fair value, being the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction, based on periodic valuations by external independent valuers or director valuations, less subsequent depreciation.

Increases in the carrying amount arising on revaluation of Manufacturing facility assets are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same assets are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – 1 to 10 years

Website development – 3 to 5 years

Land, buildings and improvements – 25 years

Manufacturing facility and related equipment – 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

v. Intangible assets

Patents

Patents have a finite life and are carried at cost less any accumulated amortisation and impairment losses and each has an estimated useful life of 15 years.

Software development costs

Expenditure on the research phase of projects to develop new customised software and/or hardware is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Costs that are directly attributable include employees' (other than Directors') costs incurred on software and hardware development, along with an appropriate portion of relevant overheads and borrowing costs.

Clinical database

Clinical database acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

w. Inventories

Inventories are stated at standard cost or the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of purchased goods are assigned using the first in, first out cost formula. Manufactured goods are recorded at standard costs which are considered to approximate actual costs. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Medicinal cannabis products manufactured by the Group are valued using a standard costing process based on management's estimated costs on of materials, labour and overhead for a selected period of time and for a prescribed set of working conditions.

x. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the results attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

y. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

z. Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum, an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

aa. Research and Development

In FY2018, Canndeo Ltd, a subsidiary of the Group, received a Medicinal Cannabis Licence. The licence provides authorisation for Canndeo to perform research and development of cannabis for medicinal purposes.

Expenditure on the research phase of projects to develop new cannabis strains and products is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the developed asset will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

bb. Comparative information

Comparative information presented is for the Group for the year ended 31 December 2021.

cc. New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

dd. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell. The estimation of fair value requires significant judgment and is subject to estimation uncertainty. Management have estimated the price at which an orderly transaction to sell its assets would take place between market participants at the measurement date under current market conditions

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Due to the loss of the Group, management considers it prudent not to raise any deferred tax assets at this point in time.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of property, plant and equipment and land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity.

To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings. Refer to Note 32 for assumptions of fair value of assets.

There is significant judgment and estimation uncertainty with regards to the methodology used to revalue assets and determine the estimated revalued amounts.

3. Revenue

The Group's revenue disaggregated by operating segment is as follows:

31 December 2021

	Hydroponics Equipment, Materials and Nutrients	Medicinal Cannabis	Unallocated	Total
	\$	\$	\$	\$
Revenue				
Canada	2,831,975	-	-	2,831,975
Australia	-	2,666,174	-	2,666,174
	2,831,975	2,666,174	-	5,498,149

31 December 2022

	Hydroponics Equipment, Materials and Nutrients	Medicinal Cannabis	Unallocated	Total
	\$	\$	\$	\$
Revenue				
Canada	2,861,069	-	-	2,861,069
Australia	-	4,251,125	-	4,251,125
	2,861,069	4,251,125	-	7,112,194

4. Interests in subsidiaries

Accounting subsidiaries

	Country of Incorporation	Percentage Owned 2021	Percentage Owned 2022
Crystal Mountain Manufacturing Inc. (Deregistered)	Canada	100%	-
Dragon Vision Limited (Deregistered)	Hong Kong	100%	-
0970203 B.C. Ltd (Deregistered)	Canada	100%	-
Canndeo Pty Ltd	Australia	100%	100%
Canna Clinics Pty Ltd (Deregistered)	Australia	100%	-
THC Pharma Pty Ltd	Australia	100%	100%
THC Pharma (NZ) Limited (Deregistered)	New Zealand	100%	-
Canndeo Canada Inc. (formerly Vertical Canna Inc.) (Deregistered)	Canada	100%	-
10034622 Canada Inc. (Deregistered)	Canada	100%	-
Metra Holdings Pty Ltd	Australia	100%	100%
Tetra Pty Ltd	Australia	100%	100%
Canndeo Fulfillment Inc (Deregistered)	Canada	100%	-
Cannmira Therapeutic Clinics Inc (Deregistered)	Canada	100%	-
Medimar Pty Ltd	Australia	100%	100%
Demimar Pty Ltd	Australia	100%	100%

5. Goodwill

	As at 31 December 2022	As at 31 December 2021
	\$	\$
Balance at beginning of the year	4,472,985	5,444,481
Impairment expense	(4,472,985)	(971,496)
Balance at end of the year	-	4,472,985

6. Business combinations and historical goodwill

a. Crystal Mountain and Dragon Vision ("CMDV")

As at 31 December 2022

	\$
<i>Consideration transferred</i>	
Shares, options and performance shares issued	2,944,200
Other costs of acquisition	174,936
	3,119,136
Net assets acquired in CMDV at the date of acquisition	(1,451,640)
Accumulated impairment	(1,667,496)
Goodwill carried forward	-

b. Candeo Pty Ltd

As at 31 December 2022

	\$
<i>Consideration transferred</i>	
Shares, options and performance shares issued	3,363,500
	3,363,500
Net liabilities acquired in Candeo at the date of acquisition	276,144
Accumulated impairment	(3,639,644)
Goodwill carried forward	-

c. Tetra Health

As at 31 December 2022

	\$
<i>Consideration transferred</i>	
Shares, options and performance shares issued	2,843,420
Cash paid on acquisition	500,000
	3,343,420
Fair value of net assets acquired in Tetra Health at the date of acquisition	(314,079)
Accumulated impairment	3,029,341
Total goodwill carried forward	-

The recoverable amount of Goodwill is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In the current year, the recoverable amounts of cash-generating units have been determined based on fair value less cost to sell. The estimation of fair value requires significant judgment and is subject to estimation uncertainty.

7. Income tax expense

a. The components of tax expense comprise:

	For the Year Ending 31 December 2022	For the Year Ending 31 December 2021
	\$	\$
Current tax	-	-
Deferred tax liability released	-	(864,064)
	-	(864,064)

b. Numerical reconciliation of income tax expense to prima facie tax payable

	For the Year Ending 31 December 2022	For the Year Ending 31 December 2021
	\$	\$
Loss from continuing operations before income tax expense	(13,288,561)	(10,107,242)
Tax at the Australian tax rate of 25.0% (2021 – 26%)	(3,322,140)	(2,627,883)
Add tax effect of:		
- Other non-allowable items	2,573,841	985,638
Less tax effect of:		
- Other non-assessable items:	-	(578,225)
- Other deductible items	-	(568,193)
Carried forward tax benefit not recognized in the current year	748,299	1,924,599
Total income tax expense/benefit	-	(864,064)

The Group has carried forward tax losses of approximately \$36,253,158 (2021: \$32,931,018). The benefit of these losses will only be recognised where it is probable that future taxable income will be available against which the benefits of the deferred tax asset can be utilised.

8. Cash and cash equivalents

	As at 31 December 2022	As at 31 December 2021
	\$	\$
Cash at bank and in hand	861,985	2,335,569
Balance at end of the year	861,985	2,335,569

9. Trade and other receivables

Current

Trade and other receivables	3,145,018	728,939
Allowance for expected credit losses	-	(148,253)
R&D tax incentive receivable	-	1,769,179
Balance at end of the year	3,145,018	2,349,865

10. Inventory

	As at 31 December 2022	As at 31 December 2021
Finished goods	611,092	2,537,300
Less: Write down	(611,092)	-
Less: Provision for slow-moving inventory	-	(116,957)
Balance at end of the year	-	2,420,343

11. Other assets

	\$	\$
Current		
Prepayments	756,934	705,032
Non-current		
Deposits paid	116,462	126,891
Balance at end of the year	873,396	831,923

12. Property, plant and equipment

	For the Year Ending 31 December 2022	For the Year Ending 31 December 2021
Manufacturing facility and other equipment – at cost and revalued amounts	15,995,712	16,473,381
Land, buildings and improvements – at cost	2,287,290	3,873,907
Accumulated depreciation – property plant and equipment	(3,201,218)	(1,806,448)
Accumulated impairment	-	(1,333,483)
Balance at end of the year	15,081,784	17,207,357

See Note 2 and Note 28 for significant judgement in relation to the revaluation of the manufacturing facility.

12. Property, plant and equipment (continued)

	Manufacturing Facility and Equipment	Building and improvements	Total
	\$	\$	\$
Balance at 1 January 2022	14,720,948	2,486,409	17,207,357
Acquisitions in the year	529,401	-	529,401
Disposals in the year	(921,822)	-	(921,822)
Depreciation expense	(1,670,992)	(62,160)	(1,733,152)
Foreign exchange adjustment	-	-	-
Balance at 31 December 2022	12,657,535	2,424,249	15,081,784
Balance at 1 January 2021	14,720,948	4,179,553	18,900,501
Acquisitions in the year	314,962	124,567	439,529
Revaluation in the period	394,759	-	394,759
Depreciation expense	(709,721)	(208,613)	(918,334)
Impairment expense	-	(1,309,338)	(1,309,338)
Foreign exchange adjustment	-	(299,760)	(299,760)
Balance at 31 December 2021	14,720,948	2,486,409	17,207,357

13. Leases and right-of-use assets

	As at 31 December 2022	As at 31 December 2021
Right-of-Use Assets - Land and Buildings	\$	\$
Balance at beginning of the year	429,380	1,172,646
Additions	230,754	-
Disposal	-	(294,715)
Impairment/termination	-	(234,280)
Depreciation	(122,359)	(214,271)
Balance at end of the year	537,775	429,380

13. Leases and right-of-use assets (continued)

	As at 31 December 2022	As at 31 December 2021
	\$	\$
Lease Liabilities		
<i>Land and buildings</i>		
Balance at beginning of the year	775,154	1,317,437
Additions		-
Disposal/termination		(105,859)
Interest expense	100,077	128,278
Lease payments	(225,940)	(564,702)
Balance at end of the year	649,291	775,154

14. Intangible assets

	As at 31 December 2022	As at 31 December 2021
	\$	\$
Intangible assets purchased at cost	504,699	515,409
Accumulated amortisation	(504,699)	(10,710)
Closing balance	-	504,699
Balance at beginning of the year	504,699	475,526
Additions	-	39,883
Accumulated amortisation	(504,699)	(10,710)
Balance at end of the year	-	504,699

15. Trade and other payables

Current		
Trade payables	4,333,802	2,375,219
Payroll liabilities	-	280,737
Accrued expenses	319,675	413,915
Balance at end of the year	4,653,477	3,069,871

16. Contract liabilities

Current		
Contract liabilities	101,120	158,424
Balance at end of the year	101,120	158,424

17. Borrowings

	As at 31 December 2022	As at 31 December 2021
	\$	\$
<i>Current</i>		
Loans	2,550,108	3,663,261
Balance at end of the year	2,550,108	3,663,261

This loan is secured by a general security deed in favour of the lender granted by Canndeo Ltd, Epsilon Healthcare Limited and THC Pharma Pty Ltd. The Loan bears interest at 1.25% per month and is repayable by 31 March 2023.

18. Employee benefits

	As at 31 December 2022	As at 31 December 2021
	\$	\$
<i>Current</i>		
Employee accruals	627,356	128,909
Balance at end of the year	627,356	128,909

19. Deferred tax liabilities

Deferred tax liability comprises temporary differences attributable to:

Revaluation of manufacturing facility and related equipment	2,648,710	3,185,360
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20. Contributed equity

a. Share capital

	As at 31 December 2021		As at 31 December 2022	
	No. of Shares	\$	No. of Shares	\$
At the beginning of the period	189,456,949	41,801,459	222,706,949	44,817,619
Share placement (net)	30,000,000	2,203,660	77,647,062	2,058,065
Shares issued to directors, employees and advisors	3,250,000	812,500	-	-
Balance at end of the year	222,706,949	44,817,619	300,354,011	46,875,684

Ordinary shares

Each ordinary shareholder maintains, when present in person or by proxy or by attorney at any general meeting of the Company, the right to cast one vote for each ordinary share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

20. Contributed equity (continued)

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 31 December 2020 Annual Report.

21. Reserves

	As at 31 December 2022	As at 31 December 2021
	\$	\$
Options reserve	-	1,104,014
Foreign currency translation reserve	3,266,972	47,928
Asset revaluation reserve	8,709,899	10,319,850
Balance at end of the year	11,976,871	11,471,792

a. Options reserve

	As at 31 December 2021		As at 31 December 2022	
	No. of Options	\$	No. of Options	\$
At the beginning of the year	8,300,000	368,560	13,400,000	689,842
Options issued to KMP's	4,800,000	169,541	-	-
Options issued to advisors	3,000,000	167,522	-	-
Options lapsed	(2,700,000)	(15,781)	(13,400,000)	(689,842)
Balance at end of the year	13,400,000	689,842	-	-

Options reserve

The reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

21. Reserves (Continued)

b. Foreign currency translation reserve

	As at 31 December 2022	As at 31 December 2021
	\$	\$
Balance beginning of financial year	47,928	(20,679)
Movement in the financial year	3,219,044	68,607
Balance at end of the year	3,266,972	47,928

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

c. Asset revaluation reserve

	As at 31 December 2022	As at 31 December 2021
Balance beginning of financial year	10,319,850	10,246,425
Movement in the financial year	(1,609,951)	73,425
Balance at end of the year	8,709,899	10,319,850

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of the manufacturing facility.

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

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

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

22. Segment information (continued)

Major customers

The main source of revenue for these operating segments in the year to 31 December 2022 is the manufacture, sale and advisory services related to medicinal cannabis. The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

Segment performance

	31 December 2021			
	Hydroponics Equipment, Materials and Nutrients	Medicinal Cannabis	Unallocated	Total
	\$	\$	\$	\$
Revenue				
External sales	2,831,975	2,666,175	-	5,498,149
Other	1,825	2,223,940	253,528	2,479,293
Total segment revenue	2,833,800	4,890,115	253,528	7,977,443
Depreciation and amortisation	(122,037)	(1,020,760)	-	(1,142,797)
Loss after income tax expense	(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 December 2022			
	Hydroponics Equipment, Materials and Nutrients	Medicinal Cannabis	Unallocated	Total
	\$	\$	\$	\$
Revenue				
External sales	2,861,069	4,251,125	-	7,112,194
Other	-	-	263,851	263,851
Total segment revenue	2,861,069	4,251,125	-	7,112,194
Depreciation and amortisation	-	1,855,511	-	1,855,511
Loss after income tax expense	(927,414)	(4,640,580)	(7,720,567)	(13,288,561)
Segment Assets	3,001,200	17,427,087	682,762	21,111,049

23. Share based payments

The Group made the below share-based payments in the financial year:

Description	Shares \$	Options \$	Total \$
Periodic vesting expense on current year issued securities	-	-	-
Shares issued to advisors and KMP during the year	-	-	-
	-	-	-

Employee options

The Company established an Employee Option Plan (EOP) plan that was approved by shareholders at the Extraordinary General Meeting held on 15 November 2018. The EOP is designed to provide long term incentives to senior executives to deliver long-term shareholder returns. Under the plan, employees are granted options which vest if certain criteria are met.

Set out below are summaries of options granted under the proposed plan thus far:

	31 December 2022		31 December 2021	
	Average exercise price per option	No. of Options	Average exercise price per option	No. of Options
At the beginning of the year	0.36	13,400,000	0.42	8,300,000
Granted during the year	-	-	0.32	7,800,000
Lapsed during the year	0.36	(13,400,000)	0.37	(2,700,000)
Balance at end of the year	-	-	0.36	13,400,000
Vested and exercisable	-	-	0.36	13,400,000

24. Reconciliation of loss after income tax to net cash outflow from operating activities

	For the Year Ending 31 December 2022	For the Year Ending 31 December 2021
	\$	\$
Loss for the year	(13,288,561)	(9,243,178)
Depreciation expense	1,855,511	1,142,797
Inventory write down	611,092	-
Impairment expense	4,472,985	2,515,114
Share-based payments	-	1,094,122
Lease expenses allocated to financing activities	100,077	564,702
Effects of foreign exchange	(19,722)	31,215
Deferred tax unwind	-	(701,215)
Other non-cash transactions	489,168	130,453
Bad debts expense	-	68,503
Change in operating assets and liabilities		
Increase in trade and other receivables	(795,153)	(843,748)
Increase in trade and other payables	1,583,606	311,977
Decrease/(Increase) in inventories	2,420,343	(456,609)
Net cash outflow from operating activities	(2,570,654)	(5,385,867)

25. Financial risk management

a. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and inter-entity loans. The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis. The group's exposure to bad debts is not significant.

There is considerable concentration of credit risk within the Group as it only has a limited number of customers at this stage of its development.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral security.

25. Financial risk management (continued)

The maximum exposure to credit risk at balance date is as follows:

	As at 31 December 2022	As at 31 December 2021
	\$	\$
Cash and cash equivalents	861,985	2,335,569
Trade and other receivables	3,145,018	2,349,865

Liquidity risk

The Group's policy is to maintain a comfortable level of liquidity through the continual monitoring of cash reserves and the raising of additional capital as required.

Market risk

Foreign exchange risk

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into \$AUD at the closing rate:

	Short Term Exposure	Long Term Exposure
	\$	\$
31 December 2021		
Financial assets	230,883	18,866
Financial liabilities	1,121,534	-
31 December 2022		
Financial assets	-	-
Financial liabilities	-	-

The following table illustrates the sensitivity of profit or loss and equity in regards to the Group's financial assets and financial liabilities.

	Loss for the Year		Equity	
	+ 10%	-10%	+ 10%	-10%
31 December 2021	192,784	(235,626)	43,140	-52,727
31 December 2022	-	-	-	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

25. Financial risk management (continued)

b. Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement period of all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

	Weighted average interest rate	Non-interest bearing	Floating interest rate	Fixed interest rate maturing within 1 year	Total
2021	%	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	0.02%	-	2,335,569	-	2,335,569
Trade and other receivables	-	2,349,865	-	-	2,349,865
Total financial assets		2,349,865	2,335,569	-	4,685,434
Financial Liabilities					
Trade and other payables	-	3,069,871	-	-	3,069,871
Loans	15%	-	-	3,663,261	3,663,261
Total financial liabilities		3,069,871	-	3,663,261	6,733,132
2022					
Financial Assets					
Cash and cash equivalents	-	861,985	-	-	861,985
Trade and other receivables	-	3,145,018	-	-	3,145,018
Total financial assets		4,007,003	-	-	4,007,003
Financial Liabilities					
Trade and other payables	-	4,653,477	-	-	4,653,477
Loans	15%	-	-	2,550,108	2,550,108
Total financial liabilities		4,653,477	-	2,550,108	7,203,585

25. Financial risk management (continued)

	Carrying amount	Contractual cash flow due 1 to 3 months	Contractual cash flow due 3 months to 1 year	Contractual cash flow due 1 to 5 years
2021	\$	\$	\$	\$
Financial Assets				
Trade and other receivables	2,349,865	2,349,865	-	-
Total financial assets	2,349,865	2,349,865	-	-
Financial Liabilities				
Trade and other payables	3,069,871	3,069,871	-	-
Loans	3,663,261	-	3,663,261	-
Total financial liabilities	6,733,132	3,069,871	3,663,261	-
2022				
Financial Assets				
Trade and other receivables	3,145,018	3,145,018	-	-
Total financial assets	3,145,018	3,145,018	-	-
Financial Liabilities				
Trade and other payables	4,653,477	4,653,477	-	-
Loans	2,550,108	-	2,550,108	-
Total financial liabilities	7,203,585	4,653,477	2,550,108	-

c. Net fair values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and notes to the financial statements.

26. Auditor's remuneration

	For the Year Ending 31 December 2022	For the Year Ending 31 December 2021
	\$	\$
RSM Australia Partners		
- Audit and review of the financial statements	31,000	94,500
- Other services	-	-
A D Danieli & Co		
- Audit of the financial statement	30,000	-
- Other services	-	-

27. Earnings per share

	For the Year Ending 31 December 2022	For the Year Ending 31 December 2021
	Cents	Cents
Basic earnings per share	(6.56)	(4.79)
Diluted earnings per share	(6.56)	(4.79)
Weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
	No. of Shares	No. of Shares
- Basic earnings per share	300,354,011	222,706,949
- Diluted earnings per share	300,354,011	222,706,949

The loss used to calculate earnings per share was \$13,288,561 (2021: loss \$9,243,178).

28. Fair Value Measurement

The Group measures and recognises specialised plant and equipment assets at fair value on a recurring basis after initial recognition.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorized into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

28. Fair Value Measurement (continued)

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation Techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transaction for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risk. When selecting a valuation technique, the Group gives priority to those techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognized on a recurring basis after initial recognition and their categorization within the fair value hierarchy.

Recurring fair value measurements

	31 December 2021			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Total non-financial assets recognized at fair value on a recurring basis	-	-	14,190,353	14,190,353
Total non-financial assets recognised at fair value	-	-	14,190,353	14,190,353

a. Valuation techniques and inputs used to measure Level 3 fair values

Description Non-financial assets	Fair value (\$) at 31 Dec 2022	Valuation technique	Inputs used
Manufacturing facility	15,995,712	Combination of market approach and depreciated replacement cost approach	Gross replacement cost, depreciation asset useful life, asset prices of identical or similar assets and various other inputs and factors.
	15,995,712		

28. Fair Value Measurement (continued)

The manufacturing facility was last revalued on 23 February 2021 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of manufacturing facility being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date.

The fair value of the facility was determined using a combination of the market approach and the Depreciated Replacement Cost (DRC) method. The DRC method is most commonly used for the valuation of specialised assets. This is because transactions involving the sale of specialised assets are relatively infrequent and when they do occur, the assets are often sold as part of a going concern business. In such situations, the values attributable to each individual asset may not be agreed by a buyer or seller as part of the transaction and in any event are typically not disclosed.

This method calculates the current market value of an asset based on the gross replacement cost of a modern equivalent replacement asset which has been optimised for the particular purpose, which is then adjusted for depreciation to reflect the reduced lifespan of the original asset.

29. Related party transactions

a. Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report.

b. Transactions with other related parties

There were no related party transactions aside from those listed in the Remuneration Report.

30. Contingent assets and liabilities

The Group did not have any contingent assets or liabilities at 31 December 2022 (31 December 2021: Nil).

31. Events occurring after the balance date

Since the end of the reporting period, no matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

- a. The Group's operations in future financial years; or
- b. The results of those operations in future financial years; or
- c. The Group's state of affairs in future financial years.

32. Parent entity disclosures

	As at 31 December 2022	As at 31 December 2021
	\$	\$
Epsilon Healthcare Limited		
Financial position		
Assets		
Total current assets	532,172	2,589,821
Total non-current assets	24,553,880	24,697,638
Total assets	25,086,052	27,287,459
Liabilities		
Total current liabilities	1,472,273	1,378,150
Total non-current liabilities	-	-
Total liabilities	1,472,273	1,378,150
Equity		
Contributed equity	46,875,684	44,817,618
Other contributed equity	-	-
Reserves	-	689,842
Accumulated losses	(23,261,905)	(19,598,151)
Total equity	23,613,779	25,909,309
Financial performance		
Loss for the year	(4,016,532)	(5,451,444)
Other comprehensive income	-	-
Total comprehensive loss	(4,016,532)	(5,451,444)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2022 and 31 December 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2022 and 31 December 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

DECLARATION BY DIRECTORS

The directors of the Company declare that, in the opinion of the directors:

- a. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including
 - i. giving a true and fair view of the financial position and performance of the Company and the Group; and
 - ii. complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;
- b. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
- c. there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors:



Josh Cui
Chairman

31 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



A D Danieli Audit Pty Ltd

Authorised Audit Company
ASIC Registered Number 339233
Audit & Assurance Services

Level 1 261 George Street
Sydney NSW 2000
PO Box H88
Australia Square NSW 1215
ABN: 56 136 616 610
Ph: (02) 9290 3099
Email:
add3@addca.com.au
Website:
www.addca.com.au

**Independent Auditor's Report
To the Members of
Epsilon Healthcare Limited
ABN 33 614 508 039
And Controlled Entities**

Report on the audit of the Financial Report

Opinion

We have audited the consolidated financial report of Epsilon Healthcare Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the Group had cash and cash equivalents of \$861,985. In addition, we note the Group incurred a loss of \$13,288,561, incurred a net cash outflow from operating activities of \$2,570,654 and had total current net liabilities of \$3,168,124. This with the conditions noted by the directors as to how they expect the Group to continue as a going concern indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern should they be unable to raise additional capital.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<p><i>Going Concern</i></p> <p>Following operating losses and historical cash flow deficits, there is a heightened degree of judgement as to the group's ability to continue as a going concern through the assessment period.</p> <p>Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk.</p>	<p>We have evaluated the appropriateness of management's assessment regarding going concern by performing the following:</p> <ul style="list-style-type: none"> Analysing budgets prepared by management. Review cash flow forecasts. Review of forecast sales/potential growth, budgeted expenditure and timing of these cash inflows or outflows. <p>We have also had numerous discussions with management about this issue including strategies and initiatives in place to reduce risk of uncertainty regarding going concern. At this stage, there has not been any indicators present that would require a qualified audit opinion to be issued due to material uncertainty regarding going concern. Based on our procedures, we noted that the going concern assessment has been fairly and appropriately disclosed within the financial statements.</p>



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Asset Valuations

Included within property, plant and equipment is a manufacturing facility carried at \$12,657,535 which represents a substantial portion of the Group's total assets.

There is significant judgement and estimation uncertainty with regards to the methodology used to revalue assets and determine the estimated revalued amounts performed in prior years.

Management engaged an independent expert to revalue the manufacturing facility in the 2021 financial year. The revaluation was done using a combination of the market approach and the depreciated replacement cost approach. The depreciation replacement cost method was used because of the specialized nature of the assets and how infrequent transactions are of a similar nature.

Because of the subjectivity and complexity involved in such valuations, we have considered the historical valuation of property, plant and equipment held under the revaluation model to be a key audit matter.

In addition to the historical valuation of the property there were additions of \$529,401 and disposals of \$921,822 that occurred during the year.

We have evaluated the appropriateness of management's assessment regarding the valuation of property, plant and equipment by performing the following:

- Attended a site visit to physical verify the existence and condition of the manufacturing facility having consideration of the independent valuation report along with additions and improvements to the facility.
- Obtained an understanding on the specialized nature of the facility and the history in relation to its construction and previous use.
- Analyzed the addition and disposals that occurred during the year.

Based on our procedures, we have been satisfied that the carrying values of property, plant and equipment have been fairly stated.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Impairment of Intangibles and Goodwill

At 31 December 2022, the statement of financial position reflected goodwill with a carrying value of \$0, after fully impairing both Intangibles and Goodwill of \$4,977,684 (\$4,472,985 for goodwill and \$504,699 for intangibles). Due to the amount of impairment it is deemed to be a key audit matter as the figure represents approximately 24% of the Group's total assets.

As required under AASB 136, management has tested goodwill for impairment.

Management has assessed intangibles and goodwill and have determined that the carrying value after impairment does not exceed its recoverable amount.

We have evaluated the appropriateness of management's assessment for goodwill that the cash generating unit exceed the recoverable amount by \$6,082,936 which has resulted in the goodwill being fully impaired by \$4,472,985. In addition to this, management also decided to fully impair intangible assets purchased at cost of \$504,699.

Our audit procedures included the following:

- Review of management's calculations and impairment model on how they believed the recoverable amount was lower than the cash generating unit amount.
- Review of ASX announcements.
- Review of forecast sales, budgeted expenditure and projected cash flows.

Based on our procedures, we have been satisfied that the carrying values have been fairly stated.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <https://auasb.gov.au/Home.aspx>. This description forms part of our auditors report

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 12 to 17 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Epsilon Health Care Limited for the year ended 31 December 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A D Danieli Audit Pty Ltd



Sam Danieli
Director

Sydney, 31 March 2023



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SHAREHOLDER INFORMATION

ASX additional information

Additional information as at 22 March 2023 is required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion in which the amount paid up bears to the issue price for the share.

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 22 March 2023.

Spread of Shareholders

At 22 March 2023, there were 7,876 holders of Shares. The shareholders were entitled to one vote for each Share held.

Spread of Holdings	No. of Holders	No. of Units	% Issued Capital
1 – 1000	1,093	735,312	0.24
1,001 – 5,000	3,442	8,855,490	2.95
5,001 – 10,000	1,044	8,207,293	2.73
10,001 – 100,000	1,895	58,411,089	19.45
100,001 and over	402	224,144,827	74.63
Total	7,876	300,354,011	100.00

Less than marketable Parcels

A total of 6,621 shareholders were holding less than a marketable parcel of 25,000 shares as at 22 March 2023 (\$0.020). Under the ASX Listing Rules, any shareholding values at less than \$500 is considered to be an unmarketable parcel.

On Market Buy Back

There is no on-market buy-back.

Substantial Shareholders

As at 22 March 2023, the only substantial holder was Watercrest Asset Management Pty Ltd controlling 35,828,878 ordinary shares representing 11.93% of the issued Capital.

Top 20 Shareholders

As at 22 March 2023 the twenty largest quoted shareholders held 35.51% of the fully paid ordinary shares as follows:

	Holder Name	Share Holding	% Issued Capital
1	WATERCREST ASSET MANAGEMENT PTY LTD	35,828,878	11.93
2	FENNELL CHURCH PTY LTD	8,438,499	2.81
3	MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	7,500,000	2.50
4	HEALTH360 INVESTMENT MANAGEMENT INC	7,052,880	2.35
5	CANNIM GROUP PTY LTD	5,555,556	1.85
6	FILMRIM PTY LTD	4,465,755	1.49
7	BARCOO HOLDINGS PTY LTD <WYAN FAMILY INVESTMENTS>	3,795,824	1.26
8	KARANTZIAS INVESTMENTS PTY LTD <KARANTZIAS FAMILY A/C>	3,636,364	1.21
9	SCKLD INVESTMENTS PTY LTD <SCKLD HOLDINGS A/C>	3,593,894	1.20
10	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,055,650	1.02
11	MR GEORGE DAABOUL	3,000,000	1.00
12	META GROWTH CORP	2,942,489	0.98
13	CELTIC CAPITAL PTY LTD	2,888,872	0.96
14	TIGER PTY LTD <TIGER COMMERCIAL UNIT TRUST>	2,545,455	0.85
15	BARCOO HOLDINGS PTY LTD <MAPLE VENTURES>	2,438,341	0.81
16	HTGR INVESTMENTS PTY LTD	2,298,765	0.77
17	MRS CHONGNA WANG	2,046,035	0.68
18	MR ALAN ROSEBY BARKAS + MRS LEE MARGARET BARKAS <BARKAS SUPER FUND A/C>	2,000,000	0.67
19	MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	1,958,684	0.65
20	CITICORP NOMINEES PTY LIMITED	1,598,988	0.53
	Total	106,640,929	35.51

Statement of Restricted Securities

The Company has no securities which are Restricted Securities as at 22 March 2023.

Utilisation of Cash for Business Objectives

The Company confirms that it has used cash and cash equivalents held at the time of listing in a way consistent with stated business objectives.