

**Wellnex Life Quarterly Activities Statement –  
December 2021 Quarter**

**Highlights**

- Receipts from customers for the December 2021 quarter at \$4.7 million with an additional \$325,000 received in first week of January.
- Net cash loss from operations of \$2.9 million attributable to investment in inventory of circa \$5.2 million at cost to prevent disruption of stock levels.
- Strong balance sheet with total funding available of circa \$5.3 million.
- Revenue for the half year at \$8.8 million (unaudited) plus purchase orders of \$1.6 million received.
- Launch of Wakey Wakey and The Iron Company brands in major pharmaceutical retailers and upcoming ranging in Coles and Woolworths.
- Launch of Pharmacy Own with a supply agreement signed with one of Australia's largest pharmaceutical distributors – CH2.
- Joint venture with Australian Dairy Nutritionals to launch the first Australian-made organic A2 infant formula range.

**Wellnex Life Limited (ASX: WNX)** is pleased to release its quarterly cashflow report for the period ended 31 December 2021. This quarter continues the transformation of Wellnex to be a major participant in the branded health and wellness sector with continued growth in revenue and brand offerings.

**Cash**

Cash receipts for the quarter increased significantly to \$4.7 million (compared with PCP of \$345,000) plus an additional \$325,000 received in the first week of January. The net cash loss for the period was \$2.9 million, largely driven by accelerating purchases of inventory of circa \$5.2 million at cost, to minimise disruptions to supply given the increasing complexities and costs of global logistics.

Wellnex was impacted by supply chain issues during the quarter, with the late delivery of a particular line resulting in delayed sales to the March quarter of circa \$500,000. Wellnex is now able to withstand these issues in the medium term, with the increased investment in inventory along with a reduction of purchases over the next 6 months to circa \$3 million per quarter.

### **Revenue and Sales**

The unaudited revenue for the six months ending 31 December 2021 was up 18.5% compared with PCP to \$8.8 million, with margins increasing to circa 33%. The company also received \$1.6 million in purchase orders during the quarter for its Liquid Paracetamol product, to be invoiced in the second half of FY22.

Wellnex has navigated difficult trading conditions with the lockdowns in the two most populous states during the quarter to continue to grow its presence in the fast-growing health and wellness market, with continued revenue growth and expanded brand and product offerings.

### **Balance Sheet**

Wellnex at the close of the quarter has a strong balance sheet with \$5.3 million in available funds and circa \$5.2 million in inventory at cost. During the quarter, the company issued new convertible notes raising \$2.4 million at a coupon rate of 8%, convertible at \$0.20 per share.

Wellnex is also assisting the administrator of Corio Bay Dairy Group to recover circa \$4.1 million in preferential creditor payments. Letters of demands have been sent to the seven relevant parties with one party settling the issue with the administrator. During the quarter, the administrator commenced settlement discussions with one party, with that claim being circa \$800,000. The administrator remains confident of a successful outcome for all claims. The company cannot quantify at this stage the total amount that will be recovered under this action but will keep the market informed on progress.

### **Wakey Wakey and The Iron Company**

Wellnex Life successfully launched The Iron Company and Wakey Wakey owned brands into Australian pharmacy channels with major national pharmacy groups and wholesalers, including Chemist Warehouse, Terry White Chemmart, Australian Pharmaceuticals Industries (API) and Symbion.

Distribution of these two new brands was further expanded with both brands to be ranged in Coles and selected Woolworths stores in the first quarter of CY22, which will increase brand awareness, sales and margins.

The Iron Company product is Australia's first slow-releasing iron gummy, which has been launched as a complementary medicine. The Wakey Wakey brand range has also been developed as a complementary medicine and is available in a range of gummies and effervescents supporting energy.

### **Pharmacy Own**

Wellnex has launched the Pharmacy Own brand, which will have a strong offering of over-the-counter (OTC) products that will provide consumers equivalent efficacious products to the major brands currently found in the Australian market, with the aim to have 20 core products in the market over the next 12 months.



Long term, the Pharmacy Own brand will expand to over 50 products across many major categories, including cough and cold, hay fever, pain relief and vitamins.

CH2, Australia's only fully integrated pharmaceutical and medical consumable distributor, will exclusively distribute the Pharmacy Own brand across its extensive distribution network, which includes more than 2500 pharmacies.

The exclusive supply agreement with CH2 ensures we achieve significant penetration of the brand with major cost savings in marketing, distribution and selling expenses. The continued growth of the company's brands will increase shareholder value through increases in revenue, margins and brand value.

### **Organic A2 Infant Formula**

Wellnex Life and Australian Dairy Nutritionals (ASX: AHF) have established a joint venture to launch Australia's first organic A2 protein infant formula range using 100% Australian milk, which will be distributed through Wellnex's significant existing pharmacy distribution network.

AHF will be responsible for the manufacture of the organic A2 infant formula range with Wellnex being responsible for the sale of the new range across its significant distribution network, which it anticipates commencing by the end of FY22.

**Commenting on the result, Wellnex Life CEO George Karafotias** said: "We're pleased to have been able to continue to grow revenue and expand our branded product offerings throughout a period of difficult trading conditions. The decision to invest significantly into our inventory levels should allow us to avoid major disruptions stemming from supply chain issues. With multiple owned brand launches across a range of product categories and agreements with major distribution networks nationally, we're confident we will continue to create shareholder value and cement our position in the accelerating health and wellness industry."

Payment made to related parties as outlined under Section 6.1 of the Appendix 4C relate to the director fees and salaries paid during the quarter.

To stay up to date with Wellnex Life news and announcements, please register your details on the [Wellnex Life investor portal](#).

This announcement has been authorised for release on the ASX by the company's board of directors.

**ENDS**



**Further information:**

**Company:**

George Karafotias  
Chief Executive Officer  
Email: [george.k@wellnexlife.com.au](mailto:george.k@wellnexlife.com.au)  
Phone: 03 8399 9419

**Investor Relations:**

Sophie Bradley  
IR Executive  
Email: [sophie.bradley@reachmarkets.com.au](mailto:sophie.bradley@reachmarkets.com.au)  
Phone: 0450 423 331

**About Wellnex Life**

Wellnex Life (ASX: WNX) is an Australian brand and distribution company of customer-focused health and wellness products. The company's large portfolio, first-to-market strategy and established retail distribution network provide an attractive business model for growth and profitability. Wellnex's mission is to deliver health, wellness and vitality solutions to consumers in Australia and worldwide.

## Appendix 4C

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

Name of entity

WELLNEX LIFE LIMITED

ABN

77 150 759 363

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,725	9,580
1.2 Payments for		
(a) research and development	(43)	(43)
(b) product manufacturing and operating costs	(5,302)	(7,698)
(c) advertising and marketing	(865)	(1,706)
(d) leased assets	-	-
(e) staff costs	(587)	(1,149)
(f) administration and corporate costs	(872)	(2,522)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	28	(38)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refund/(paid))	(30)	(47)
1.9 Other (costs for CBDG administration)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,946)</b>	<b>(3,620)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(3,846)
(c) property, plant and equipment	-	-
(d) investments	-	(3)
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	629	629
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Loan repayment from other entity	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash acquired from acquisition)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>629</b>	<b>(3,220)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,177
3.2	Proceeds from issue of convertible debt securities	2,350	2,350
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(221)	(700)
3.5	Proceeds from borrowings	995	1,692
3.6	Repayment of borrowings	-	(2,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Share applications to be refunded	-	-
3.9	Other (repayment of lease liabilities)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>3,124</b>	<b>3,519</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,646	7,774
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,946)	(3,620)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	629	(3,220)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,124	3,519
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>4,453</b>	<b>4,453</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,824	3,646
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in trust)	629	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,453</b>	<b>3,646</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	231,475
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	2,500	(1,692)
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	2,500	(1,692)
7.5	<b>Unused financing facilities available at quarter end</b>		808
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Secured Revolving Trade and Debtor Facility with Scottish Pacific of \$2.5 million Term: Minimum of 24 months (July 2023) Interest Rate: BBSY plus 4%.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,946)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,453
8.3	Unused finance facilities available at quarter end (item 7.5)	808
8.4	Total available funding (item 8.2 + item 8.3)	5,261
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.79
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: No, the Company does not expect to have the current level of net operating cash outflows for the next quarter. The current quarter included payments for the build up of inventory in the business which will convert to sales in future quarters.	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A, refer to answer above at 8.6.1.	



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

Answer: Yes, refer to answer above in 8.6.1.

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

## Compliance statement

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

31 January 2022

Date: .....

The Board of Directors

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

## Notes

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