

Q1 FY23 Quarterly Activities – Record Growth**Announcement highlights:**

- Record revenue for Q1 FY23 of \$6.88 million, up 81% on PCP (Q1 FY22: \$3.8 million), with strong growth in Wellnex's owned brands and contract manufacturing.
- Cash receipts for the quarter were \$5.23 million. Significant cash inflows for the coming quarter expected with launches of brands and increasing contract manufacturing orders.
- Launch of two exciting new brands: Mark Wahlberg's *Performance Inspired* sports supplements brand and Organic A2 infant formula brand, *Ocean Road Dairies*.
- Pivotal Joint Venture with OneLife Botanicals as Wellnex continues to progress an over-the-counter S3 approval for medicinal cannabis products and prepares to launch medicinal cannabis products under the Special Access Scheme.
- Acquisition of premium teeth whitening brand, *Mr. Bright*. Annualised revenue of \$4 million and normalised EBITDA of \$800,000 per annum (subject to shareholder approval).
- Preparation for launch of *Pharmacy Own* in Q2 with an exclusive supply agreement with leading pharmaceutical and device supplier, CH2.
- Raised \$5.965 million in capital through strongly supported Share Purchase Plan (\$2.815 million) and placement to strategic investors (\$3.15 million) cornerstoned by Homart Pharmaceuticals in October (subsequent to Q1).
- Settlement of a preferential creditor claim for Corio Bay Dairy Group with one party and negotiations ongoing for a further four claims.

Wellnex Life Limited (ASX: WNX), customer-focused health and wellness brand and product company, is pleased to release its quarterly cashflow and activities report for the quarter ended 30 September 2022. This quarter has seen an acceleration of the Company's growth in both revenue and brand offerings.

Revenue for the quarter was a record \$6.88 million, an increase of 81% on the prior corresponding period (PCP) (Q1 FY22: \$3.8 million). The business is experiencing growth in its wholly owned brands and contract manufacturing. With two launches during Q1 and more during Q2, Wellnex anticipates acceleration of its revenue to continue. Wellnex reaffirms its guidance for FY23 of \$29 million in revenue.

Cash receipts for the quarter were \$5.23 million, with substantial cash inflow expected in Q2 following strong revenue in Q1, brand launches and increasing contract manufacturing orders. The Company made significant investment in new brands and products launched in the period and the remainder of FY23, as well as preparation for S3 medicinal cannabis approval.

Net Cash Loss for the quarter was \$2.08 million, a reduction of 38% compared to the prior quarter (Q4 FY22: \$3.45 million), with the major expense being an investment in inventory of circa \$3.8 million and marketing investment of \$618,000.

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.

Performance Inspired

During the quarter, Wellnex successfully launched Mark Wahlberg's *Performance Inspired* sports supplements brand in Chemist Warehouse's national retail network and online channels, with a substantial initial purchase order received.

Performance Inspired was founded in 2015 by Mark Wahlberg and Tom Dowd and has become one of the fastest growing nutrition brands in the USA. Wellnex has secured the exclusive rights for Australia and New Zealand and the first rights to expand into Asia.



Ocean Road Dairies

In a Joint Venture with Australian Dairy Nutritionals (ASX: AHF), Wellnex successfully launched Australia's first organic A2 infant formula using Australian milk under the new brand *Ocean Road Dairies*.

Ocean Road Dairies is now available at Chemist Warehouse. The product will fill a niche in the premium infant formula market and has minimal competition as it is one the few with this premium offering.



Medicinal cannabis

Wellnex formed a pivotal Joint Venture (JV) with OneLife Botanicals that will allow Wellnex to be one of the first to market with a registered medicinal product under S3 and allow it to accelerate its participation in the fast-growing Special Access Scheme (SAS) market.

The JV will allow Wellnex to provide bespoke products, while also providing full traceability of the whole production and manufacturing process, using Australian product and knowledge.

Wellnex has commenced the process of obtaining an S3 approval and is aiming to achieve approval by the end of CY23. The Company is also planning to launch multiple products for the SAS market by end of CY22. On obtaining an S3 approval Wellnex will receive a 4% equity interest in OneLife Botanicals.

Mr. Bright

Wellnex announced during the quarter the acquisition of premium teeth whitening brand, *Mr. Bright*, for \$1.5 million in scrip at a minimum of \$0.10 per share or the 5-day VWAP prior to settlement (whichever is higher). Mr Bright has seen year-on-year growth and has a strong EBITDA margin of circa 20%. Annualised revenue for Mr. Bright was circa \$4 million and normalised EBITDA for FY22 was circa \$800,000.

Wellnex is aiming to expand distribution channels for *Mr. Bright* in Australia through their significant network. The Company expects to increase the brand value for *Mr. Bright* and grow revenue, margins and profitability for the wider Wellnex group.

The acquisition will be completed on 30 November 2022, subject to shareholder approval.



Pharmacy Own

During the quarter, Wellnex continued to progress the launch of *Pharmacy Own*. The launch will bring a strong offering of over-the-counter (OTC) products to market that will provide consumers equivalent efficacious products to the major brands currently found in the Australian market.

Wellnex has entered into an exclusive distribution agreement with CH2, Australia's only fully integrated pharmaceutical and medical consumable distributor, which services over 2,500 pharmacies.

Pharmacy Own will be launched in the Australian market in Q3 FY23.





Share Purchase Plan and strategic placement

Wellnex launched a Share purchase Plan (SPP) during the quarter targeting to raise of minimum of \$2 million at \$0.075 per share, with funds to be invested in various brand launches and accelerate its medicinal cannabis strategy. The SPP was strongly supported by shareholders and raised \$2.815 million.

Wellnex also secured strategic investors, including Homart Pharmaceuticals, to take up a placement of \$3.15 million at \$0.075 per share (subject to shareholder approval). The investment by Homart enables Wellnex to form a strong relationship with a respected participant in the health and wellness market that will assist the Company to continue to grow.

Corio Bay Dairy Group

The administrator of Corio Bay Dairy Group, subsequent to the sale of the asset, have identified \$4.2 million in preferential creditor payments to five parties that are being pursued for recovery.

From the sale proceeds Wellnex provided funding to pursue these claims and sent letter of demands to all parties. During this period the administrator has settled with one of the relevant parties and continues to negotiate with the remaining four parties.

Wellnex, as the largest and secured creditor, will receive a further distribution on completion of this matter and are determined to maximise the return. The administrator has sufficient funds to commence litigation if required.

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

ENDS

Further information:

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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.



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

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")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,238	5,238
1.2 Payments for		
(a) research and development	(178)	(178)
(b) product manufacturing and operating costs	(4,307)	(4,307)
(c) advertising and marketing	(615)	(615)
(d) leased assets	-	-
(e) staff costs	(1,431)	(1,431)
(f) administration and corporate costs	(442)	(442)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(233)	(233)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refund/(paid))	(118)	(118)
1.9 Other (costs for CBDG administration)	-	-
1.9 Net cash from / (used in) operating activities	(2,085)	(2,085)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(15)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	(42)	(42)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(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	Net cash from / (used in) investing activities	(57)	(57)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(166)	(166)
3.5	Proceeds from borrowings	4,378	4,378
3.6	Repayment of borrowings	(4,801)	(4,801)
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	Net cash from / (used in) financing activities	(589)	(589)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,642	3,642
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,085)	(2,085)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(57)	(57)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(589)	(589)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	911	911

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	450	3,642
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in trust)	461	
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	911	3,642

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	215
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	5,300	(1,918)
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	5,300	(1,918)
7.5	Unused financing facilities available at quarter end		3,382
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 \$5.3 million Term: Minimum of 24 months (July 2023) Interest Rate: BBSY plus 4%.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,085)
8.2	Cash and cash equivalents at quarter end (item 4.6)	911
8.3	Unused finance facilities available at quarter end (item 7.5)	3,382
8.4	Total available funding (item 8.2 + item 8.3)	4,293
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.2
	<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?	
	N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

28 October 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.