Wellnex Life Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Wellnex Life Limited
ABN:	77 150 759 363
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

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2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	49.8%	to	27,876
Loss from ordinary activities after tax attributable to the owners of Wellnex Life Limited	up	85.9%	to	(13,846)
Loss for the year attributable to the owners of Wellnex Life Limited	up	85.9%	to	(13,846)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $13,846,000 (30 June 2022: $7,449,000).

Financial Performance

Revenue for the period was $27.9 million an increase of 50% on the prior corresponding period (PCP) (30 June 2022: $18.6 million). This builds on the 55% increase in revenue in financial year 2022 (FY22) compared to financial year 2021(FY21) and reflects the continued growth of our brands and IP licensing.

Loss for the full-year of $13.8 million was up 85% on the PCP (30 June 2022: $7.5 million), primarily due to non-cash expenses of $5.6 million for the period compared to the prior corresponding period (PCP) of $1.6 million. The EBITDA loss for the period was $6.8 million compared to $6.5 million for the PCP, which was impacted by the following:

- Reduction in gross margins from 24% in FY22 to 17% in FY23 due to stock write offs and inventory costs associated with product development in the launch of new brands and products. Gross margins for FY24 are expected to be in the range of 25% to 28%, driven by growing sales of our brands and increased margins from IP licensing arrangements with Haleon.
- Employee expenses were up 27% for the period compared to PCP, which was a deliberate strategy to fully resource our sales, marketing and regulatory team to accelerate the roll out and growth of our brands and products. The company will not increase employee expenses in FY24 even though we will see continued growth of our revenue and the integration of the proposed acquisition of Pain Away.
- Selling, marketing and distribution expense for the period increased by 166% compared to PCP to $4.4 million, primarily due to one off marketing costs associated with new brand launches for the period and elevated logistic costs. Marketing costs for FY24 will be in line with FY23 but as a percentage of revenue will be reduced by circa 8%. Wellnex has signed a new agreement with our logistic partner that will see a circa 25% reduction in logistic costs in FY24.
- One-off cash loss for corporate activity including the proposed acquisition of Pain Away, acquisition of Mr Bright and various funding activities was circa $1 million.

Wellnex during FY23 strategically grew its presence in the health and pharmaceutical market with the launch of various brands and products that has resulted in continued growth of the business. Wellnex now has six innovative brands in the market that are available in all major grocery and pharmacy channels domestically. The company also extended its agreement with Haleon that has resulted in both product and global expansion. The positive results in FY23 will result in FY24 realising continued revenue and margin growth, decrease in expenses as a percentage of revenue, and a pathway to profitability in FY24.

The loss from normal business operations excluding one-off and non-cash expenses was circa $5.0 million, with the main growth drivers for this financial year include:

- Launch of 4 new products for Wakey Wakey complimenting the existing product offering with all new products available in major grocery and pharmacy retailers.
- Launch of new innovative sleep aid brand Nighty Night, with initial sales very encouraging across major grocery and pharmacy retailers.
- Continued growth of over-the-counter medicines under the Pharmacy Own brand exclusively distributed through CH2.
- The Iron Company continues to gain traction in the iron supplement market with its unique propositions, with the company developing further product expansion in FY24.
- Mr Bright will further expand its presence, primarily in domestic retailers, to take advantage of its strong offering as an all-natural teeth whitening brand.
- Continued growth of our IP licensing that has resulted in substantial revenue growth in FY23, that will continue in FY24 with the agreement with Haleon to expanded globally and with additional products.

Financial Position

The total assets of the entity as at 30 June 2023 was $15.0 million (30 June 2022: $19.6 million), a decrease of 23%. The net assets of the entity was $0.6 million (30 June 2022: $4.4 million).

Wellnex subsequent to close of FY23 has settled through the administrator a preferential creditor payment at Corio Bay Dairy Group (CBDG), with still circa $2.8 million being pursued. The total recovered monies of $600,000 will be received by the company on the completion of settlement of all claims expected to conclude in the first half of FY24.

The Company is also completing the acquisition of the proposed acquisition of Pain Away anticipated to complete in September and on completion will have a strong balance sheet to execute its business objectives of continuing to grow its brands, products, revenue and margins in the fast-growing health and pharmaceutical market.

Growth of Wellnex Life Limited

FY23 has been a period of substantial growth for Wellnex with continued expansion of our brands, products and revenue. Revenue for the group for consecutive financial years has grown circa 50% and with the continued growth of our offerings we anticipate FY24 to be another positive period. Wellnex strategically invested during the period to allow the company to take advantage of the opportunities in the market with this strategy to realise significant gains in FY24, with increased margins and a substantial reduction in expenses compared to revenue putting Wellnex in a profitable position.

Additionally, the proposed acquisition of Pain Away to be completed in September, the Company will accelerate its position as a major participant in the health and pharmaceutical market both domestically and opportunities in overseas markets.

Brands

Wellnex Life during the financial year continued to grow its brand and product portfolio with new brand launches and extension of our product offerings. Brand revenue as a percentage of our total revenue continues to grow and this will reflect in an increase in our margins in FY24

1. Wakey Wakey

Wellnex expanded the Wakey Wakey range to now include six product lines, including a Wakey Wakey+ range that will offer consumers the benefits of the current caffeine energy pick up + magnesium and + immunity . Two new flavours Berry and Lemon Lime have also been added to the base range. The product extensions are available nationally in key retailers such as Chemist Warehouse, Coles and Woolworths. The Wakey Wakey brand extensions will continue to drive brand awareness and further increase the already strong sales.

2. Nighty Night

On the back of the success of Wakey Wakey energy brand, the Company began development of Nighty Night nine months ago. The now launched Nighty Night brand was developed to take advantage of the growing demand from consumers looking for assistance in achieving a good nights sleep. The retail market has been excited by the innovative launch of Nighty Night, with strong initial sales in across both pharmacy and grocery retailers, including Coles, Woolworths and Chemist Warehouse.

3. The Iron Company

Wellnex launched Australia's first slow-release iron gummy under the brand The Iron Company, with 2 initial varieties including a straight Iron and an Iron plus vitamin C. The uniqueness of this product has resulted in the brand being ranged in all major pharmaceutical retailers.

The Company anticipates further growth in sales in FY24 as brand awareness continues to increase, with the Company looking at expanding the product offering in FY24.

4. Pharmacy Own

Wellnex Life during the period signed an exclusive supply agreement with one of Australia's largest pharmaceutical and medical consumable distributors, CH2, for the launch of Pharmacy Own. Wellnex Life during the period has been developing a strong offer of over the counter (OTC) products that will provide consumers equivalent efficacious products to the major brands found in the Australian market.

Wellnex continues to grow its distribution and product offering for Pharmacy Own that will see sales continue to increase in FY24.

5. Mr Bright

Mr Bright, a teeth whitening brand, was purchased by Wellnex in FY23 with distribution channels in the USA and UK and on-line channels but has poor penetration in the Australian market. Wellnex in FY24 will expand the brand into domestic pharmacy and grocery retailers to take advantage of the growing oral care market.

6. Wagner Health Liquigesics

The joint venture brand with Chemist Warehouse continues to go from strength to strength with strong sales in FY23 that are expected to continue to show good growth in FY24. Wellnex with Chemist Warehouse are in the process of expanding the product offering of this brand in FY24 to take advantage of the strong brand presence the brand has developed over a short period of time.

All intellectual property in regard to the products under this brand are the property of Wellnex and used in our other brands and in our IP licensing arrangements.

7. Medicinal Cannabis

Wellnex during FY23 entered into a joint venture with leading medicinal cannabis manufacturer, One Life Botanicals, that will allow Wellnex to have access to locally produced and manufactured high quality medicinal cannabis products at a competitive price for the SAS-B market.

Subsequent to this and understanding the unique proposition of the joint venture with One Life Botanicals, Chemist Warehouse entered into a joint venture on a new medicinal cannabis brand that will be available through the extensive retail network of Chemist Warehouse and other pharmacy retailers.

The SAS-B market is estimated to grow to circa $600 million in FY24 and with the strategic relationships secured puts Wellnex in a strong position to take advantage of this large and growing opportunity.

IP Licensing - Haleon

Wellnex Life in developing innovative and unique products continues to grow its contract manufacturing business, including securing a momentous supply agreement with Haleon for its liquid paracetamol soft gel product initially for the Australian and New Zealand market. The initial success of this arrangement has given Haleon the confidence to further expand this arrangement with two new product lines in conjunction with a global roll out across Europe and the Middle East.

This new agreement with Haleon will significantly grow our revenue in FY24, coupled with increased margins for the new products being included in this arrangement.

Other matters

Wellnex Life during the period entered into a transformational agreement to acquire leading topical pain relief brand, Pain Away. This will transform the Company in acquiring a brand that has a long and successful history in the market that is available in all major grocery and pharmacy retailers, with further scope to increase sales with expansion of its product offering and distribution channels especially in grocery channels and international channels.

Wellnex anticipates completing the acquisition in September 2023.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.675)	3.580

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4. Control gained over entities and date control gained

Name of entities (or group of entities)	OneLife Ocean Road Dairies
Date control gained	18 July 2022 16 February 2022

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5. Loss of control over entities

Not applicable.

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6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

This report, and the accompanying financial statements, are based upon accounts which are in the process of being audited. There is likely to be a material uncertainty on going concern disclosure within the audit report.

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11. Attachments

Unaudited summary consolidated financial statements for Wellnex Life Limited and its controlled entities for the year ended 30 June 2022 are attached.

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12. Signed

Signed Date: 31 August 2023

George Karafotias
Managing Director

Wellnex Life Limited

ABN 77 150 759 363

Summary of Financial Information - 30 June 2023

Wellnex Life Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Revenue	5	27,876	18,607
Other income		16	186
Expenses			
Raw materials and consumables used		(23,138)	(14,107)
Administrative and corporate expenses		(2,660)	(4,624)
Share based payments issued to third parties		(278)	(628)
Employee benefits expense		(4,205)	(3,304)
Selling, marketing and distribution expenses		(4,434)	(1,666)
Depreciation and amortisation expense		(274)	(147)
Impairment of receivables		(1,037)	(339)
Impairment of goodwill	9	(4,030)	(471)
Finance costs		(1,682)	(956)
Loss before income tax expense		(13,846)	(7,449)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Wellnex Life Limited		(13,846)	(7,449)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Wellnex Life Limited		(13,846)	(7,449)
		Cents	**Cents**
Basic loss per share	16	(3.73)	(2.47)
Diluted loss per share	16	(3.73)	(2.47)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Wellnex Life Limited
Statement of financial position
As at 30 June 2023

	Note	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		322	3,181
Trade and other receivables	6	4,598	6,171
Inventories	7	3,029	4,319
Prepayments and other	8	3,428	168
Total current assets		11,377	13,839
Non-current assets			
Property, plant and equipment		48	42
Right-of-use assets		153	269
Intangibles	9	3,462	5,459
Total non-current assets		3,663	5,770
Total assets		15,040	19,609
Liabilities			
Current liabilities			
Trade and other payables	10	7,111	7,086
Borrowings	11	6,788	2,377
Lease liabilities		110	95
Employee benefit provisions		287	192
Provisions		-	55
Total current liabilities		14,296	9,805
Non-current liabilities			
Borrowings		-	5,198
Lease liabilities		52	188
Employee benefit provisions		98	59
Total non-current liabilities		150	5,445
Total liabilities		14,446	15,250
Net assets		594	4,359
Equity			
Issued capital	12	112,424	102,620
Reserves		3,727	3,450
Accumulated losses		(115,557)	(101,711)
Total equity		594	4,359

The above statement of financial position should be read in conjunction with the accompanying notes

Wellnex Life Limited
Statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital $'000	Share-based payment reserve $'000	Convertible loan reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	91,726	2,345	167	(94,487)	(249)
Loss after income tax expense for the year	-	-	-	(7,449)	(7,449)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(7,449)	(7,449)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 12)	2,006	-	-	-	2,006
Share-based payments	-	628	-	-	628
Issue of shares as partial consideration for the BSA transaction (note 22)	2,000	-	-	-	2,000
Issue of shares of conversion of shareholder and convertible loans (note 22)	6,721	-	-	-	6,721
Transfers to issued capital on conversion of convertible loans	167	-	(167)	-	-
Recognition of equity component of convertible note issued during the year	-	-	702	-	702
Derecognition of convertible notes reserve on repayment and re-issue of notes	-	-	(225)	225	-
Balance at 30 June 2022	102,620	2,973	477	(101,711)	4,359

Consolidated	Issued capital $'000	Share-based payment reserve $'000	Convertible loan reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	102,620	2,973	477	(101,711)	4,359
Loss after income tax expense for the year	-	-	-	(13,846)	(13,846)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(13,846)	(13,846)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 12)	9,804	-	-	-	9,804
Share-based payments	-	277	-	-	277
Balance at 30 June 2023	112,424	3,250	477	(115,557)	594

The above statement of changes in equity should be read in conjunction with the accompanying notes

Wellnex Life Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		28,412	17,880
Payments to suppliers and employees (inclusive of GST)		(33,808)	(26,332)
Interest received		16	3
Interest and other finance costs paid		(809)	(221)
Government grants		-	59
Net cash used in operating activities		(6,189)	(8,611)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(3,816)
Transaction costs related to purchase of assets		(2,200)	(450)
Payments for investments		-	(3)
Payments for intellectual property		-	(42)
Proceeds received from CBDG administrator in settlement of CBDG loan		-	666
Net cash used in investing activities		(2,200)	(3,645)
Cash flows from financing activities			
Proceeds from issue of shares	12	8,166	2,177
Transaction costs related to issues of equity		(710)	(171)
Proceeds from issue of convertible debt securities		-	5,991
Transaction costs related to loans and borrowings		-	(576)
Proceeds from borrowings		10,446	3,713
Repayment of borrowings		(12,251)	(3,372)
Repayment of lease liabilities		(121)	(100)
Net cash from financing activities		5,530	7,662
Net decrease in cash and cash equivalents		(2,859)	(4,594)
Cash and cash equivalents at the beginning of the financial year		3,181	7,775
Cash and cash equivalents at the end of the financial year		322	3,181

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Wellnex Life Limited as a consolidated entity consisting of Wellnex Life Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Wellnex Life Limited's functional and presentation currency.

Wellnex Life Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Building 2, Level 3, Suite 69,
574 Plummer Street
Port Melbourne VIC 3207

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 3. 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 current or next financial year are discussed below.

Share-based payment transactions
Unless noted otherwise, the consolidated entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of option-based transactions is determined by using either the Binomial or Black-Scholes model taking 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, as well as the terms and conditions upon which the instruments were granted.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Goodwill and other indefinite life intangible assets
The consolidated entity 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 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of property, plant and equipment
The consolidated entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the consolidated entity 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 and/or tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax assets were recognised as at 30 June 2023.

Note 4. Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

During the year ended 30 June 2022 the consolidated entity acquired the assets of Brand Solutions Australia. The business operates in the same business and geographical segment as the rest of the Group, being a provider of high quality Australian made health and wellness products throughout Australasia. All revenue and assets generated during the financial year were generated in Australia.

All revenues of the consolidated entity are recognised at a point in time for all revenue types.

Note 5. Revenue

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Goods transferred at a point in time	27,876	18,607

Note 6. Current assets - trade and other receivables

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Trade receivables	4,143	5,691
Amounts receivable from Corio Bay Group Pty Ltd	156	461
Deposits	247	-
	4,546	6,152
Other	52	19
	4,598	6,171

Note 7. Current assets - Inventories

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Finished goods - at cost	3,029	4,319

Note 8. Current assets - Prepayments and other

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Prepayments	954	168
Deferred expense - acquisition of Pain Away	2,200	-
Other current assets	274	-
	3,428	168

Prepayments comprise of the initial placement of $2.2 million (before costs) for the acquisition of Pain Away, one of Australia's leading topical pain relief brands.

The Initial Placement was to the entities associated with strategic investor and existing shareholder Homart Pharmaceuticals (Initial Placement Subscribers). Prior to the Initial Placement, Homart Pharmaceuticals (via its associated entities) held 11.13% of the Company's issued share capital, following participation in the Company's capital raising placement in October 2022.

The funds of $2.2m raised under the Initial Placement have been applied towards payment of the deposit for the Proposed Transaction under the Sale Agreement.

Note 9. Non-current assets - intangibles

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Goodwill - at cost	5,004	5,004
Less: Impairment	(4,011)	-
	993	5,004
Patents and trademarks - at cost	130	74
Less: Accumulated amortisation	(41)	(3)
	89	71
Brands - at cost	1,636	136
Customer Relationships - at cost	276	276
Less: Accumulated amortisation	(55)	(28)
	221	248
Formation costs	604	-
Less: Accumulated amortisation	(81)	-
	523	-
	3,462	5,459

Note 9. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Patents & trademarks $'000	Brands $'000	Customer Relationships $'000	Formation costs $'000	Total $'000
Balance at 1 July 2021	471	8	-	-	-	479
Additions	-	66	-	-	-	66
Additions through business combinations (note 14)	5,004	-	136	276	-	5,416
Impairment of assets	(471)	-	-	-	-	(471)
Amortisation expense	-	(3)	-	(28)	-	(31)
Balance at 30 June 2022	5,004	71	136	248	-	5,459
Additions	-	45	-	-	604	649
Asset acquisition	-	-	1,500	-	-	1,500
Impairment of assets	(4,011)	-	-	-	-	(4,011)
Amortisation expense	-	(27)	-	(27)	(81)	(135)
Balance at 30 June 2023	993	89	1,636	221	523	3,462

Note 10. Current liabilities - trade and other payables

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Trade Payables	6,353	5,707
Accruals	265	313
Wages and superannuation payable	108	120
ATO payable	164	827
Other payables	221	119
	7,111	7,086

Note 11. Current liabilities - borrowings

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Insurance funding	30	36
Trade and debtor financing	542	2,341
Convertible notes payable	6,216	-
	6,788	2,377

Trade and debtor facility

In July 2021, the Company entered into a secured revolving trade and debtor facility with Scottish Pacific, with the key terms of this facility as follows:

Note 11. Current liabilities - borrowings (continued)

- total value of financing facility: $5,300,000
- term: minimum of 24 months to July 2023
- amount drawn down as at 31 December 2021: $1,692,000
- interest rate: Bank Bill Swap Bid Rate (BBSY) plus 4%
- this financing facility is secured by general and specific security deeds over all of the Company's assets

Convertible loans payable

On 2 June 2022, the Company refinanced its previous, unconverted $2.4 million Loan Note, with the issue of new Convertible Note. The key features of the new Convertible Note are as follows:

- amount drawn down as at 30 June 2022: $6,150,000 (before costs);
- the secured note has a term of 24 months from issue;
- the secured note has a coupon rate of 9% per annum;
- conversion price: $0.21 (21 cents) per share, with the noteholder having the right to receive one option for every two shares converted at a strike price of $0.21 (21 cents) with a 24 month term from issue;
- the Company can at any time choose to repay the convertible note financing, with the note holders having the right on the issue of a redemption notice by the Company to convert the convertible note into fully paid ordinary shares;
- the convertible note financing is secured by general and specific security deeds over all of the Company's assets;

Note 12. Equity - issued capital

	Consolidated			
	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 $'000	30 June 2022 $'000
Ordinary shares - fully paid	423,719,190	303,305,814	112,424	102,620

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2021	230,649,436		91,726
Issue of shares as partial consideration for the BSA transaction	1 July 2021	13,331,667	$0.15	2,000
Issue of shares as part of a Rights Issue	5 July 2021	8,797,087	$0.15	1,320
Issue of shares as part of a Rights Issue	7 July 2021	5,718,844	$0.15	857
Issue of shares to convert shareholder loans	9 July 2021	35,142,115	$0.15	5,271
Issue of shares on conversion of convertible loans	9 July 2021	6,666,666	$0.15	1,000
Issue of shares on conversion of convertible loans	20 July 2021	1,333,333	$0.15	200
Issue of shares on conversion of convertible loans	20 August 2021	1,666,666	$0.15	250
Transfer from convertible loans reserve		-	-	167
Capital raising costs		-	-	(171)
Balance	30 June 2022	303,305,814		102,620
Issue of Share Purchase Plan shares	24 October 2022	37,543,584	$0.075	2,816
Issue of shares for Placement	7 December 2022	42,000,000	$0.075	3,150
Issue of shares for settlement of supply agreement	7 December 2022	15,869,792	$0.064	1,016
Issue of shares for acquisition of Mr Bright	7 December 2022	15,000,000	$0.10	1,500
Issue of shares for acquisition of Painaway	19 May 2023	10,000,000	-	2,200
Capital raising costs		-	-	(878)
Balance	30 June 2023	423,719,190		112,424

Note 13. Commitments

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Chemist Warehouse marketing support		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,500	600
One to five years	1,400	3,900
	3,900	4,500

Chemist Warehouse marketing support commitments arise from the Company's 10-year supply agreement with Chemist Warehouse. Pursuant to the supply agreement, the Company will spend approximately $A1.2 million annually in marketing support, to build brand awareness for all of its brands over the first five years of the agreement's term.

Note 14. Business combinations

Brand Solutions Australia and Pharma Solutions Australia ("BSA") has been finalised and there are no changes to the provisional accounting previously disclosed.

On 13 December 2022 Wellnex finalised the acquisition of premium teeth whitening business, Mr Bright, via the issue of 15,000,000 fully paid ordinary shares. The Group reassessed the treatment of Mr Bright at 30 June 2023 from 31 December and determined that the transaction was an asset acquisition. There was no change to the net asset position of the Group as a result of assessment.

Note 15. Events after the reporting period

On 18 July 2023 the Company issued 9,313,120 shares at $0.05 (5 cents) as part of the Entitlement Offer, raising $465,656.

On 20 July 2023 the Company issued 27,500,000 unlisted options as free attaching options through the Placement (one for two free attaching options) as being exercisable at $0.10 (10 cents) on or before 20 July 2025.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 16. Loss per share

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Loss after income tax attributable to the owners of Wellnex Life Limited	(13,846)	(7,449)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	370,795,650	301,702,267
Weighted average number of ordinary shares used in calculating diluted earnings per share	370,795,650	301,702,267
	Cents	**Cents**
Basic loss per share	(3.73)	(2.47)
Diluted loss per share	(3.73)	(2.47)

Note 16. Loss per share (continued)

The dilutive impact of loan funded shares and options has not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as it does not meet the requirements for inclusion in AASB 133 'Earnings Per Share'. The rights to these loan funded shares and options are non-dilutive as the consolidated entity is loss generating.