

Wellnex Life Limited (ASX:WNX) Q1 FY24 Quarterly Report and Appendix 4C

Key Highlights

- Sales and purchase orders for the September quarter (Q1 FY24) at circa \$7 million, with cash receipts at \$4.3 million
- Net operating cash outflow for Q4 FY23 of -\$1.2 million, which included an increase of inventory holding for the period of circa \$700,000 with the launch of new products for Wakey Wakey and Nighty Night and one-off costs associated with Pain Away transaction
- Total available funding at end of Q1 FY24 was \$4.5 million
- Improved terms of Pain Away transaction announced post close of the quarter that will place the company into a positive cashflow on completion
- Wellnex's Australian lead manager Barclay Pearce Capital, the company has secured an offer from a UK Financial and Nominated Advisor (NOMAD) to commence a London Stock Exchange listing process in 2024, with the Company having finalised an initial due diligence request

Wellnex Life Limited (ASX:WNX) ("**Wellnex**" or "**Company**") is pleased to provide the following operational update along with its Appendix 4C for the quarter ended September 2023 ("**Q1 FY24**").

Wellnex Chief Executive Officer George Karafotias:

"The commencement of FY24 continues to build on the strong FY23 with the business continues to grow across all segments, resulting in a continued growth of our revenue. Importantly the business is seeing improved margins as our brands make up more of our total revenue. With the expansion of the Haleon arrangement and the launch of Medicinal Cannabis in the second half of FY24 the company is on a strong trajectory of continuing revenue growth and profitability. The addition of Pain Away and its growing revenue and margins of over 50% will complement the existing business and transform the financial profile of Wellnex."

Strong Cash and Revenue

Revenue and purchase orders for the Q1 FY24 was circa \$7 million an increase of circa 20% on the previous quarter (Q4 FY23), which is a result of our growing brands that are ranged in all major pharmaceutical and grocery channels.

Sales are anticipated to accelerate further for the remainder of FY24, primarily on the back of the Haleon agreement that has been expanded initially into the UK, Ireland and the UAE with further countries to be added in FY25. See announcement on 29 June 2023 for further information.

Cash receipts for Q1 FY24 was \$4.3 million with net operating cash outflow for the period was -\$1.2 million, a reduction of 42% compared to Q1 FY23, which primarily driven by an increase of inventory holding of \$700,000 to \$3.7 million and one-off costs associated with the acquisition of Pain Away.

This is highlighting, as our brands continue to grow in distribution and revenue, the company is on a trajectory to profitability. The acquisition of Pain Away with its strong revenue and high margins will complement the business that will add immediate scale and profitability.

The Company had available funding at the end of the quarter of \$4.5 million and is completing a capital raise for the acquisition of Pain Away and additional working capital.

In addition, the Company through the administrator of Corio Bay Dairy Group (CBDG) continues to pursue preferential creditor claims of \$4.2 million with proceedings commenced. A further party has settled their claim during the period for circa 30% of their total claim. There remains circa \$2.7 million in claims that have commenced mediation.

Marketing Cost for the quarter was circa \$263,000 down from \$393,000 in the previous quarter and inventory purchases was circa \$3.3 million. Administration and corporate costs of \$363,000 included one-off costs associated with the Pain Away transaction.

Payments 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.

Continued expansion and growth of our I.P and brands in the pharmaceutical market

During the quarter Wellnex announced an improved structure for the acquisition of Pain Away that involves a reduced upfront payment and a deferred consideration payable over 18 months. See announcement on 5 October 2023 for further information. Wellnex is working to close the acquisition during the current quarter.

During the quarter, Wellnex successfully secured ranging in both grocery and pharmacy channels for four new products under the successful “Wakey Wakey” brand, including 2 flavour extensions (Berry and Lemon Lime) and 2 products as “Wakey Wakey+” showcasing the Wakey Wakey caffeine product with added (+) Magnesium and Vitamin C and Zinc. The products are now available in all major grocery and pharmacy retailers including Coles, Woolworths and Chemist Warehouse.

To complement the launch of these new products under “Wakey Wakey” brand we also launched a new brand – “Nighty Night”, which aims to improve sleep quality. “Nighty Night” is now available in major grocery and pharmacy retailers including Coles, Woolworths and Chemist Warehouse.

During the quarter, the Company announced that it secured global expansion of its supply agreement with Haleon into the UK, Ireland and United Arab Emirates with an additional 8 products comprising of Paracetamol, Paracetamol and Ibuprofen and Paracetamol and Caffeine. This partnership further validates the valuable assets and intellectual property (dossiers) the Company has developed over a long period of time, and highlights the trust and confidence our customers have in our Company and our products.

This exciting growth and expansion of our brands will continue to drive our revenue and increase our margins that will put the Company on the pathway to profitability.

London Stock Exchange

Wellnex is growing its international business primarily through the planned launch of its owned brands **Wakey Wakey, Nighty Night, The Iron Company, Mr Bright and Pain Away** and expanding on launches with world leading pharmaceutical companies including Haleon. This planned growth has resulted in Wellnex receiving an offer to consider listing Wellnex on the London Stock Exchange in 2024.

This is being led by Barclay Pearce Capital, with Wellnex completed an initial due diligence to allow it to enter into a binding mandate with a UK NOMAD to commence the LSE IPO process.

Corporate

Wellnex post close the quarter announced it is restructuring the convertible notes (announced on 2 June 2022) to allow Wellnex to service and redeem the notes (in the event of a redemption notice) using the cash generated by the business. This will resolve any going concern issues. The restructure of the convertible notes will be subject to shareholder approval at the upcoming Annual General Meeting in November. Pure Asset Management has already agreed to the extension. See announcement on 5 October for further details.

Wellnex during the quarter completed a non-renounceable rights issue raising circa \$460,000 at \$0.05 per share.

This ASX announcement has been authorised by the Board of Wellnex Life Limited (ASX:WNL).

For further information, please contact:

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About Wellnex Life

Wellnex Life Limited (ASX: WNX) is a consumer healthcare business with a track record for developing, licensing, and marketing registered products and brands to customers in the growing healthcare market segment. Since listing in 2021, Wellnex Life has successfully launched a host of brands and products now ranged in major retailers in the healthcare market space, pharmacies and supermarkets included. Its distribution arrangements have seen Wellnex Life secure significant licensing arrangements with major pharmaceutical companies in Australia and globally that have given the company's registered products a distribution channel with a steadily increasing global geographic footprint.

Wellnex Life has more recently acquired leading Australian topical pain relief brand Pain Away. Its addition to Wellnex Life's product offering both compliments and accelerates the potential growth of the company's business operations. This transformational acquisition gives added impetus to Wellnex Life's financial growth and scale and reinforces its place as a major and respected participant in the growing healthcare market, both in Australia and overseas.

To learn more, please visit: www.wellnexlife.com.au/

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 2023

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	4,233	4,233
1.2 Payments for		
(a) research and development	(59)	(59)
(b) product manufacturing and operating costs	(3,663)	(3,663)
(c) advertising and marketing	(263)	(263)
(d) leased assets		
(e) staff costs	(953)	(953)
(f) administration and corporate costs	(363)	(363)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(194)	(194)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refund/(paid))	49	49
1.9 Other (costs for CBDG administration)	-	-
1.9 Net cash from / (used in) operating activities	(1,213)	(1,213)

*Product manufacturing of circa \$1.5 million for the launch of Pharmacy Own and the launch of Nighty Night and new products for Wakey Wakey

**Circa one off marketing expenses of \$400,000 for the preparation for the launch of new Wakey Wakey lines and Nighty Night

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) investments	(33)	(33)
	(e) intellectual property	(132)	(132)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	104	104
	(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 CBDG Administration)	(100)	(100)
2.6	Net cash from / (used in) investing activities	(161)	(161)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	478	478
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	(130)	(130)
3.5	Proceeds from borrowings	1,830	1,830
3.6	Repayment of borrowings	(1,055)	(1,055)
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	1,123	1,123

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	724	724
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,213)	(1,213)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(161)	(161)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,123	1,123
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	472	472

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	169	169
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in trust)	303	303
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	472	472

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	203
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.</i> <i>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	(1,317)
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	5,300	(1,317)
7.5	Unused financing facilities available at quarter end		3,983
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)	(1,213)
8.2	Cash and cash equivalents at quarter end (item 4.6)	472
8.3	Unused finance facilities available at quarter end (item 7.5)	3,983
8.4	Total available funding (item 8.2 + item 8.3)	4,456
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.7
	<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.

31 October 2023

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.