

EFFECT OF PAIN AWAY ACQUISITION AND OFFERS

Wellnex Life Limited (**Wellnex**, **WNX** or **Company**) (ASX:WNX) provides the following information about the Company's capital structure and financial position, following completion of the Offers and completion of the Pain Away acquisition.

Defined terms in this announcement have the meaning given to those terms in the Company's Prospectus dated 13 November 2023, as supplemented by the Supplementary Prospectus dated 22 November 2023 (the **Prospectus**).

As announced by Wellnex on 14 and 18 December 2023:

1. **AGM:**

The Company held its 2023 annual general meeting on 14 December 2023 (**AGM**), with all resolutions (including resolutions in connection with the Offers) carried on a poll. The Company intends to issue all securities pursuant to the Homart Offer, Tranche 2 Balance Shares, Consultant Offer and Advisor Offer, today Monday 18 December 2023.

2. **Entitlement Offer and Shortfall Offer fully subscribed:**

The Company has successfully completed the Shortfall Offer, which was fully subscribed, with the result that the Company has placed 100% of the shortfall securities not taken up under the Entitlement Offer. Under the Entitlement Offer and Shortfall Offer, the Company has raised the maximum subscription of \$13.6 million.

A total of 487,282,310 shares and 162,427,437 attaching options were issued on 13 December 2023 under the Entitlement Offer and Shortfall Offer.

3. **Follow-on Placement:**

Given the additional interest following the completion of the Entitlement Offer and Shortfall Offer, the Company has accepted binding commitments from institutional and sophisticated investors to participate in a follow-on placement to raise approximately \$3.5 million, on the same terms as the Entitlement Offer (**Follow-on Placement**).

The Follow-on Placement was approved by shareholders at the AGM for Listing Rule 7.1 purposes. Wellnex intends to issue shares under the Follow-on Placement under this shareholder-approved placement capacity, in two tranches:

- (i) Tranche 1: a \$1.5 million tranche (comprising 53,839,556 shares and 17,946,695 attaching options on a 1-for-3 basis) which settled Friday 15 December 2023; and
- (ii) Tranche 2: a \$2.0 million tranche (71,428,572 shares and 23,809,524 attaching options on a 1-for-3 basis), expected to settle in February 2024.

Funds raised from the Follow-on Placement will be used to support working capital needs and accelerate growth of the business.

4. **Completion of Pain Away Transaction:**
The Company's acquisition of Pain Away has completed, with effect from 15 December 2023.
5. **Extension of Convertible Note Maturity Date:**
Following shareholder approval received at the AGM and completion of the Pain Away Transaction, the Convertible Note Deed Variation will become effective¹, and the Maturity Date of the Convertible Note will be extended by 12 months to 21 June 2025.

Pro-forma Capital Structure

The Company's capital structure, after:

- completion of the Offers under the Prospectus (being the Entitlement Offer, Shortfall Offer, Homart Offer, Consultant Offer and Advisor Offer);
- the issue of the Tranche 2 Balance Shares under the Initial Placement; and
- completion of Tranche 1 of the Follow-on Placement,

will be as follows:

Particulars	Shares	Options	Performance Rights	Convertible Notes
On issue (prior to Entitlement Offer)	487,282,310	44,815,777	15,000,000	1
To be issued under Entitlement Offer and Shortfall Offer	487,282,310	162,427,437	0	0
Tranche 2 Balance Shares	11,000,000	0	0	0
To be issued under Consultant Offer	20,000,000	0	0	0
To be issued under Advisor Offer	0	70,000,000	0	0
To be issued under Homart Offer	23,571,428	26,190,476	0	0
Tranche 1 of Follow-on Placement	53,839,556	17,946,695	0	0
TOTAL	1,082,975,604	321,380,385	15,000,000	1

Available cash and available debt facilities

Following completion of the Pain Away Transaction, the Offers and Tranche 1 of the Follow-on Placement, and after payment of costs and expenses associated with the Pain Away Transaction, Offers, and Tranche 1 of the Follow-on Placement, the Group will have:

- cash on hand of \$1.18 million; and
- \$4.15 million headroom under the revolving trade and debtor finance facility provided by Scottish Pacific Business Finance Pty Ltd (**ScotPac Facility**).

¹ As set out in the notice of AGM dated 15 November 2023, the variation of the Convertible Note Deed was conditional upon the Company receiving shareholder approval for the Revised Convertible Note Terms, the issue of the Variation Options, and completion of the Pain Away Transaction. The Company expects to issue the Variation Options on 15 December 2023 and accordingly, the Convertible Note Variation Deed is expected to become effective on that date.

Short and medium term cash requirements of Wellnex Group

The Directors note the following, in relation to the cash requirements² of the Wellnex Group during the ~18 month period up to 30 June 2025:

1. The Group will require cash to fund the Group's working capital requirements, including the general costs associated with the management and operation of the Group's business such as administration expenses, management, salaries, directors' fees, rent, costs associated with maintaining an ASX listing, and other associated costs.
2. The Group may require cash to fund the Group's operational expenses, noting however that the Directors expect Group operational expenditure to be funded through positive cashflows of the business, following the integration of Pain Away into the Group. In this regard, the Directors also note that pursuant to the Pain Away Transaction, the Group has acquired \$1.15 million of Pain Away inventory at cost, which is expected to be monetised over a 3-month period at robust sales margins.
3. Deferred Consideration (\$5.70 million) under the Pain Away Transaction will be payable to the Pain Away Seller in two instalments: \$2.925 million payable by October 2024 and \$2.775 million payable by April 2025³, respectively. The Company can pay the Deferred Consideration prior to the payment deadlines.
4. An oversight fee of \$50,000 (plus GST) per month is payable to the Pain Away Seller, up until the date that the Deferred Consideration is fully paid.
5. As set out above, following shareholder approval received at the AGM and completion of the Pain Away Transaction, the Convertible Note Deed Variation will become effective, pursuant to which the Maturity Date of the Convertible Note will be extended by 12 months to 21 June 2025. Accordingly, any liability to redeem the Convertible Note will not crystallise until June 2025⁴.

Going Concern

The Company's audited annual financial report for the financial year ended 30 June 2023 (**FY23**), lodged with ASX on 2 November 2023 (**Financial Report**), was prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and liabilities in the ordinary course of business.

The Financial Report included a note regarding the basis of preparation of the financial statements on a going concern basis, the financial condition of the Company, and the existence of a material uncertainty about the Company's ability to continue as a going concern. As noted in the Risk Factors section of the Prospectus, the Company's financial results in the Financial Report disclose factors which indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Financial Report.

² After payment of costs and expenses of the Pain Away Transaction, Offers and Follow-on Placement.

³ Default interest will be payable if the Company fails to meet the relevant Deferred Consideration payment deadlines (refer to section 24.3 of Prospectus).

⁴ Assuming redemption rather than conversion of the Convertible Note, and that no events of default occur which could accelerate redemption of the Convertible Note.

Following completion of the Pain Away Transaction, the AGM, the Offers and the Follow-on Placement the Directors believe that it is reasonably foreseeable that the Company will continue as a going concern, after consideration of various factors, including the following:

1. Following completion of the Pain Away Transaction, the Offers and Tranche 1 of the Follow-on Placement, and after payment of costs and expenses associated with those transactions, the Group will have a total of \$5.33 million in available funding, made up of \$1.18 million cash on hand plus \$4.15 million in available headroom under the ScotPac Facility. Based on historical performance of the Group, without taking into account the Pain Away Transaction, this amount represents more than two quarters of funding for the Group;
2. Given the additional interest in the Company following the announcement of the completion of the Entitlement Offer, the Company will now undertake the Follow-on Placement to raise approximately \$3.5 million, on the same terms as the Entitlement Offer, with Tranche 1 of \$1.5 million settling on Friday, 15 December 2023, and Tranche 2 of \$2.0 million expected to settle in February 2024.
3. The Directors expect that the addition of Pain Away to the Group will enable the Group to achieve a cash flow positive position in early 2024. In this regard, the Directors also note that pursuant to the Pain Away Transaction, the Group has acquired \$1.15 million of Pain Away inventory at cost, which is expected to be monetised over a 3-month period at robust sales margins.
4. Following completion of the Pain Away Transaction, the Group intends to undertake a restructure to reduce its operational expenditure by an estimated \$2.1 million per annum, including through the re-negotiation of marketing contracts.
5. The Group held a significant amount of inventory at the end of FY23 which will provide cash flow in future financial periods once sold to customers.
6. As set out above, following shareholder approval received at the AGM and completion of the Pain Away Transaction, the Convertible Note Deed Variation will become effective, pursuant to which the Maturity Date of the Convertible Note will be extended by 12 months to 21 June 2025. Accordingly, any liability to redeem the Convertible Note will not crystallise until June 2025.

Pro-forma statement of financial position

The pro forma historical statement of financial position set out below has been derived from the audited statutory historical consolidated statement of financial position of Wellnex as at 30 June 2023, and adjusted for the effects of the pro forma adjustments described above, being the completion of the Pain Away Transaction, the Offers and Tranche 1 of the Follow-on Placement.

The pro forma historical statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of Wellnex's view of its financial position at a future date.

All amounts disclosed are, unless otherwise noted, rounded to the nearest thousand Australian dollars.

Basis of preparation and presentation of the financial information

The pro forma historical statement of financial position has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) and AIFRS other than it includes certain adjustments which have been prepared in a manner consistent with AAS and AIFRS, that reflect the impact of certain transactions as if they had occurred on or before 30 June 2023.

As at	30-Jun-23			
	Wellnex	Subsequent events	Pro forma	
	Audited		Transactions	Pro forma
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	322	466 ⁽¹⁾	1,179 ⁽²⁾	1,967
Trade and other receivables	4,598	-	-	4,598
Inventory	3,029	-	1,150 ⁽³⁾	4,179
Prepayments and other current assts	3,428	-	-2,200	1,228
Total current assets	11,377	466	129	11,972
Non current assets				
Plant and equipment	48	-	-	48
Right of use of lease assets	153	-	-	153
Intangible assets	3,462	-	21,410	24,872
Total non current assets	3,663	0	21,410	25,073
Total assets	15,040	466	21,539	37,045
Current liabilities				
Trade and other payables	7,111	-	-	7,111
Borrowings	6,788	-	-6,150	638
Lease liabilities	110	-	-	110
Employee benefits provisions	287	-	-	287
Total current liabilities	14,296	0	-6,150	8,146
Non current liabilities				
Lease liability	52	-	-	52
Employee benefits provisions	98	-	-	98
Borrowings	-	-	6,150	6,150
Deferred consideration	-	-	5,700	5,700
Total non current liabilities	150	0	11,850	12,000
Total liabilities	14,446	0	5,700	20,146
Net assets	594	466	15,839	16,899
Equity				
Issued capital	112,424	466	17,799	130,689
Reserves	3,727	-	-	3,727
Accumulated losses	-115,557	-	-1,960	-117,517
Total equity	594	466	15,839	16,899

Notes to pro-forma statement of financial position:

- (1) On 18 July 2023 the Company issued 9,313,120 shares at \$0.05 per share, as part of an entitlement offer, raising \$465,656.
- (2) Net proceeds of the Entitlement Offer, Shortfall Offer and Tranche 1 Follow-on Placement, after deduction from total gross proceeds (\$15.15 million) of:
 - (a) the Completion Payment portion of the Purchase Price of \$12.80 million (noting that \$1.15 million in direct purchase of Pain Away Inventory was funded through the ScotPac Facility);
 - (b) payment of \$1.17 million in costs and expenses of the Pain Away Transaction, Offers and Follow-on Placement (total costs and expenses are approximately \$1.4 million, of which approximately \$225k has been recognised in the historical statement of financial position of Wellnex as at 30 June 2023).
- (3) Wellnex's revolving trade and debtor ScotPac Facility has a combined facility limit of \$5.3 million. Drawn funds against the trade facility are offset against undrawn funds and non-funded invoices in the debtor facility.

Pro forma adjustments:

The following pro forma adjustments have been applied to the historical statement of financial position of Wellnex as at 30 June 2023, to prepare the pro forma historical statement of financial position, as if they had occurred as at 30 June 2023:

- (a) The issue of 487,282,310 shares and 162,427,437 attaching options under the Entitlement Offer and Shortfall Offer, under which the Company has raised \$13.6 million.
- (b) Completion of Tranche 1 of the Follow-on Placement, under which the Company will raise \$1.51 million through the issue of 53,839,556 shares and 17,946,695 attaching options (on a 1-for-3 basis).
- (c) Reclassification of the Group's convertible note liabilities to non-current, as a result of the Convertible Note Deed Variation becoming effective, pursuant to which the Maturity Date of the Convertible Note will be extended by 12 months to 21 June 2025.
- (d) The issue of 20 million Consultant Shares to the Pain Away Seller under the Consultant Offer for transitional services to be provided by the Pain Away Seller.
- (e) The issue of 70 million Advisor Options (exercisable at \$0.05 per Option and expiring 31 December 2025) to the Joint Lead Managers and the Noteholder (and/or their nominee(s)) under the Advisor Offer.
- (f) The issue of 23,571,428 Homart Shares to the Homart Investor together with the issue of 26,190,476 Homart Options (exercisable at \$0.05 per Option and expiring 30 June 2025) under the Homart Offer in connection with the Initial Placement.
- (g) Completion of the Pain Away Transaction and the impact of the transaction, including:

- (i) payment of the Purchase Price⁵;
 - (ii) the issue of 20 million Consideration Shares; and
 - (iii) addition of an intangibles asset, being "Brands – at cost" of \$20.65 million, being the total purchase cost of Pain Away less the cost value of inventory to be acquired in the transaction.
- (h) Payment of cash expenses of the Offers and the Pain Away Transaction. The approximate costs and expenses (excluding GST) payable by the Group in relation to the Pain Away Transaction and the Offers are set out below:

Expenditure item	\$'000
Capital raising fees for Joint Lead Managers (based on funds raised under Entitlement Offer, and Tranche 1 of the Follow-on Placement)	890
Legal fees in relation to Pain Away Transaction, Prospectus, and the Offers	400
Investigating Accountant's fees	25
ASX quotation fees, ASIC lodgement fees	32
Share Registry fees, printing, mailing, and other miscellaneous expenses related to the Offers	50
Total	1,397⁶

The Board has authorised that this document be given to the ASX.

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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 agreed to acquire 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/

⁵ The Purchase Price comprises of:

- (a) advance payments of \$2.3 m;
- (b) a completion payment of \$13.9 m, which includes \$1.15 m in inventory which was funded by the ScotPac Facility;
- (c) the Deferred Consideration (\$5.70 m) which is payable in two instalments: \$2.925 m by Oct 2024 and \$2.775 m by Apr 2025;
- (d) 20 million Consideration Shares, issued to the Pain Away Seller on 3 November 2023.

⁶ Of this amount, approximately \$225K in costs and expenses have been recognised in the historical statement of financial position of Wellnex as at 30 June 2023.