

Q2 FY24 Quarterly Report and Appendix 4C

Key Highlights

- *Cash Receipts for the quarter was \$2.85 million impacted by deferral of delay's n IP licensing orders due to delayed approval times from the TGA.*
- *Net operating cash outflow for Q4 FY23 of (\$2.5 million), which included a payment of \$1.2 million in inventory purchases on the acquisition of Pain Away and associated costs of circa \$250,000*
- *Brand sales in January up 460% compared to prior corresponding period of \$1.52 million and IP licensing sales of \$1.26 million with net margins increasing to 38% compared to an average of 17% in FY23*
- *Completion of the transformative acquisition of Pain Away after successful \$13.6 million Entitlement Offer and \$3.5 million Follow-on Placement*
- *Appointment of Mr Mario Tascone as Non-executive Chair and Mr Andrew Vidler and Mr Jeffrey Yeh as Non-executive Directors.*

Wellnex Life Limited (**Wellnex, WNX or Company**) (ASX:WNX), a leading consumer healthcare business, is pleased to provide the following operational update along with its Appendix 4C for the quarter ended December 2023 (**Q2 FY24**).

Q2 FY24 Cash Receipts

Cash receipts for Q2 FY24 were \$2.9 million with net operating cash outflow for the period of \$2.5 million. The cash outflow was impacted by the payment of \$1.2 million in inventory on the acquisition of Pain Away and other associated expenses of approximately \$0.25 million.

Sales from Pain Away commenced post close of the quarter with over 50% of the groups sales and received purchase orders coming from Wellnex's brand increasing the net margin from an average of 17% in FY23 to circa 38% in January.

January sales and purchase orders of Wellnex's brands were \$1.52 million, an increase of 460% from the prior corresponding period (**pcp**), with IP licensing sales and purchase orders received of \$1.26 million.

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

Marketing costs for the quarter were approximately \$0.5 million and inventory purchases of approximately \$3.8 million (including the purchase of \$1.15 million of inventory as part of the Pain Away Transaction). Administration and corporate costs of approximately \$0.3 million included one-off costs associated with the Pain Away transaction.

Completion of the Acquisition of Pain Away

During the quarter, Wellnex completed the acquisition of the transformative acquisition of Pain Away. The acquisition of Pain Away with its strong revenue and margins will add immediate scale to Wellnex's existing business that will drive the whole business to be known as a leading consumer healthcare company in the fast-growing health and pharmaceutical markets domestically and internationally.

First sales for Pain Away commenced for Wellnex in January, with net margins across all retailers and wholesalers in excess of 50%. The Company has commenced investigating expanding the distribution and product offering of the brand.



Formal Appointments of Board Members

During the quarter, Wellnex was pleased to announce the formal appointment of three highly respected and experienced directors to the board. These appointments will provide invaluable and experience, guidance and increased corporate governance to Wellnex that will drive the Company in building sales and profitability in the growing healthcare and pharmaceutical markets. The appointments were:

- Mr Mario Tascone – Non-executive Chair;
- Mr Andrew Vidler – Non-executive director; and
- Mr Jeffrey Yeh – Non-executive director.

Further details of the experience of each of the directors is outlined in the ASX Announcement released to ASX on 16 January 2024

Corporate

During the quarter, Wellnex completed a \$13.6 million Entitlement Offer that enabled the Company to complete the acquisition of Pain Away. Post completion the Company was reinstated to quotation on ASX. Proceeds from the Entitlement Offer were used to fund the acquisition, working capital and pay for capital raising costs.

Following the announcement of the completion of the Entitlement Offer and Pain Away acquisition, the Company received additional interest from institutional and sophisticated investors and undertook a follow-on placement to raise approximately \$3.5 million (**Follow-on Placement**) with funds raised used to support working capital needs and accelerate growth of the business.

Approximately \$1.5 million of the Follow-on Placement was received in December 2023 with \$2.0 million expected to settle in February 2024.

Due to the delays in the Pain Away transaction and the associated delays in the associated capital raise, the directors advanced to the company approximately \$1.6 million.

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.

CBDG Proceedings

In addition, the Company through the administrator of Corio Bay Dairy Group (**CBDG**) continues to pursue preferential creditor claims with proceedings commenced. A further party has settled their claim during the period for approximately 30% of their total claim. There remains approximately \$1.9 million in claims that have commenced mediation. Wellnex anticipates to receive further dividends in the current quarter.

Cash and Funding

The Company had available funding at the end of the quarter of approximately \$3.7 million with an additional approximate \$2.0 million to be received in February 2024 under tranche 2 of the Follow-on Placement announced 18 December 2024.

- ENDS -

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

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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")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,850	7,084
1.2 Payments for		
(a) research and development	(17)	(77)
(b) product manufacturing and operating costs	(3,737)	(7,400)
(c) advertising and marketing	(528)	(791)
(d) leased assets		
(e) staff costs	(650)	(1,603)
(f) administration and corporate costs	(284)	(647)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(213)	(406)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refund/(paid))	43	92
1.9 Other (costs for CBDG administration)	-	-
1.9 Net cash from / (used in) operating activities	(2,533)	(3,746)

*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	(13,479)	(13,479)
(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) investments	(33)	(66)
	(e) intellectual property	-	(132)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	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)	89	(11)
2.6	Net cash from / (used in) investing activities	(13,423)	(13,584)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	15,151	15,630
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	(1,613)	(1,743)
3.5	Proceeds from borrowings	3,689	5,519
3.6	Repayment of borrowings	(1,161)	(2,216)
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	16,067	17,190

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	472	1,197
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,533)	(3,746)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13,423)	(13,584)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	16,067	17,190
4.5	Effect of movement in exchange rates on cash held	0	(0)
4.6	Cash and cash equivalents at end of period	583	1,056

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	447	169
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in trust)	136	303
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	583	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	244
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	(2,183)
7.2	Credit standby arrangements	-	-
7.3	Other (Director's loan)	1,662	(1,662)
7.4	Total financing facilities	6,962	(3,845)
7.5	Unused financing facilities available at quarter end		3,117
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)	(2,533)
8.2	Cash and cash equivalents at quarter end (item 4.6)	583
8.3	Unused finance facilities available at quarter end (item 7.5)	3,117
8.4	Total available funding (item 8.2 + item 8.3)	3,700
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.5
	<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?	
	No . The cash out flow for the period was impacted by the purchase of \$1.15 million in inventory as part of the Pain Away transaction and other associated costs of circa \$250,000. The acquisition of Pain Away and the associated purchase inventory will result in positive cash flow for the group in the coming 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?	
	Yes. The Company has confirmed a placement of \$2 million to be settled in February 2024	
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?	
	Yes. The acquisition of Pain Away will generate positive cash flow for the group and the build-up of inventory will result in a reduced purchase of inventory in the current quarter.	
	<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 Jan 2024

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.