

Wellnex Life to raise \$7.5 million via a Secured Convertible Note to accelerate growth and increase margins

Summary Points

- Wellnex Life to raise \$7.5 million via a Secured Convertible Note facility issued to Wholesale Investors¹ only with the following main terms:
 - Conversion Price (\$0.25 per share)
 - Maturity (maximum 24 Months)
 - Interest Rate (9% p/a)
- Reach Markets have been engaged as the Lead Manager to this Convertible Note Offer.
- To request offer documents for the Convertible Note wholesale investment opportunity, please click here: <https://reachmarkets.com.au/wellnex-life-request-offer-docs/>
- Funds raised will be used for two main purposes:
 1. Accelerate entry into the high growth, high margin S3 designated over-the-counter medicinal cannabis products market
 2. Launch of a health & wellness targeted e-commerce platform that will exclusively offer a comprehensive range of our own newly branded health and wellness products to accelerate revenue and margin growth

Wellnex Life Limited (ASX: WNX) is pleased to announce plans to raise \$7.5 million in funding via the issue of Secured Convertible Notes (**Notes**) on favourable terms and conditions. The Convertible Notes have a conversion price of \$0.25 per share, with a term to maturity of 24 months (minimum term of 12 months) and a coupon rate of 9% per annum (further details of the Notes are provided in the annexure to this announcement). The current Convertible Notes totalling \$2.4 million will be redeemed as part of this raise, with the option given to existing Note holders to roll into the new Note offering. To date, the majority of existing Note Holders have elected to roll their current investment into the new Note offering.

This raise will allow the company to fund and execute on its business objective of becoming a major participant in the rapidly expanding health and wellness market. By doing so, the company seeks to build

¹ Wholesale Investors are individuals or entities who generally qualify under Sections 708(8) and s761G(7) of the Corporations Act based on the gross income and/or net assets test verified by a qualified accountant. A gross income of \$250,000 or more per annum in each of the previous two financial years; or Net assets of at least \$2.5 million; and A verified Qualified Accountant's certificate given no more than two (2) years ago confirming the Sophisticated Investor status.



and maximise future shareholder value. The Board however, being mindful of the best interest of all shareholders, has had to balance the need for the company to fund expansion into areas that can return high margins and high growth, whilst acknowledging the negative dilutory effect that other more common forms of capital raisings may impose on current loyal shareholders.

Upon careful consideration, the Board has made the decision to seek funding for these important growth avenues via a Secured Convertible Note facility, rather than through a discounted share placement. By doing so, no new shares are immediately issued which means that shareholders do not suffer any dilution to their shareholdings, rather new shares would only be issued as a direct result of a future conversion event taking place at a price of \$0.25 per share.

The company expects a continuation of the upward trajectory of strong revenue growth given recent successful new products launches, an initial supply agreement with pharmaceutical giant GlaxoSmithKline, key distribution agreements and a pipeline of new product offerings. Importantly, by raising via a secured convertible note, the company gives itself time to build upon this solid momentum, which in time should be reflected in a more favourable valuation for the company.

As part of the terms of the Secured Convertible Note offering, Wellnex maintains the right to redeem the Secured Convertible Notes within 12 months of their issue. This is in line with the July 2023 expiry of the current listed options (WNXO), which on exercise at \$0.20 per share could raise up to \$11.5 million for the company.

Medicinal Cannabis

Wellnex will use funds raised to accelerate its presence in the ever-expanding medicinal cannabis space, to bring to market an S3 medicinal cannabis product, anticipated to be one of the largest growth areas in the health and wellness sector. Medicinal Cannabis currently is only available under the SAS-B scheme, which involves patients obtaining a prescription from a practicing doctor (S4 medicinal cannabis product). This market in Australia was worth \$230 million in 2021, increasing to \$432 million in 2022 (Fresh Leaf Analytics H2 2021).

In 2020 a significant development occurred, which for the first time in Australian history, saw regulations changed to allow medicinal cannabis products to be sold as an over-the-counter medicine under the TGA's S3 schedule. It is estimated that this market will be worth in excess of \$2 Billion by 2025*.

The process to obtain an S3 approval for a medicinal cannabis product is expected to take approximately 18 months. Given this timeline, the company anticipates having a product in the market by the end of 2023



(subject to obtaining all necessary approvals). With Wellnex one of the first Australian companies to have already commenced the process to obtain approval, the company is well positioned to take full advantage of what is expected to be one of the fastest growing sectors in the health and wellness space.

Health & Wellness e-commerce platform

Online sales in the health and wellness sector have accelerated in recent times. Funds raised will, for the first time, allow Wellnex to take advantage of this growing part of the market through the launch of a new health and wellness e-commerce platform. The e-commerce platform, as well as providing an alternative avenue to sell Wellnex's current portfolio of brands and products, will also include the launch of a new Wellnex owned on-line only brand, that will offer a wide range of health and wellness products direct to the consumer. It is anticipated that this will not only further drive the companies' growing revenue, but also accelerate the company's margin growth with average margins anticipated to be around 65%. Wellnex anticipates that the platform will go live by August 2022.

Operations Update

March/April Sales Up

Wellnex continues to see growth in its revenue with March and April recording a 17% growth in sales compared to prior corresponding period of \$3.3 million, which coincided with the ranging of Wakey Wakey and The Iron Company in Coles and Woolworths. Further, the company received approximately \$2.2 million in purchase orders for its liquid paracetamol product that will be invoiced once the product is manufactured. Wellnex anticipates continuing this impressive revenue growth for the remainder of 2022 which will further accelerate with the launch of new brands and products.

Pharmacy Own Launch

Pharmacy Own in an exclusive distribution agreement with CH2, will launch Wellnex's 100% owned Pharmacy Own branded products in the second half of 2022, with widespread distribution in over 2000 pharmacies within Australia.

Ocean Road Dairy Organic A2 Infant Formula Range

Wellnex in a joint venture with Australian Dairy Nutritionals will bring to market via Chemist Warehouse, Australia's first locally made Organic A2 infant formula range, under the new brand Ocean Road Dairy, which will commence on shelf ranging in July 2022.



Wellnex is also preparing for line extensions of our current offerings that will also generate brand awareness, revenue and margin growth.

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Commenting on the announcement, Wellnex Life CEO George Karafotias said: “We are pleased today to announce the raise of \$7.5 million via a Convertible Note to fund exciting new projects: bringing to market an S3 medicinal cannabis product and launching a new health and wellness e-commerce platform. We are seeking to build shareholder value by expanding into high margin, high growth projects and continue the strong positive momentum we have built over the last year, to reflect in a more favourable valuation for the company.”

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

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

ENDS

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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.



Annexure – Convertible Note

1. Amount - \$7.5 million
2. Conversion Price - \$0.25 per share
3. Coupon Rate – 9% per annum (paid quarterly in arrears)
4. Bonus Option – 1:2 option on the conversion of the note @ \$0.25 per share with 24-month term from issue.
5. Term – 24 months (Company can request a redemption at 12 months until expiry)
6. Security – General Charge over the Company