Wellnex Life Limited

(Formerly known as Wattle Health Australia Limited)

ABN 77 150 759 363

Annual Report - 30 June 2021

Wellnex Life Limited
Contents
30 June 2021

Directors	Eric Jiang (Non-Executive Director) Kobe Li (Non-Executive Director) George Karafotias (Executive Director) Zack Bozinovski (Executive Director)
Company secretary	Kobe Li
Registered office	Level 21, 459 Collins Street Melbourne VIC 3000 Ph: 03 8399 9419
Principal place of business	Building 2, Level 3, 574 Plummer St Port Melbourne VIC 3207 Ph: 03 8399 9419
Share register	Computershare Investor Registry Services Yarra Falls 452 Johnston Street Abbotsford, Victoria, 3067 Phone Number - Australia: 1300 787 272 Phone Number - overseas callers: +61 3 9415 5000
Auditor	William Buck Level 20, 181 William Street Melbourne Vic 3000
Solicitors	Holding Redlich Level 8, 555 Bourke Street Melbourne VIC 3000
Stock exchange listing	Wellnex Life Limited shares are listed on the Australian Securities Exchange (ASX code: WNX)
Website	www.wellnexlife.com.au

Wellnex Life Limited
Directors' report
30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Wellnex Life Limited, formerly known as Wattle Health Australia Limited, (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors
The following persons were directors of Wellnex Life Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Eric Jiang (Non-Executive Director)
Zheng (Kobe) Li (Non-Executive Director)
George Karafotias (Chief Executive Officer and Executive Director) (appointed Executive Director 9 November 2020)
Zack Bozinovski (Executive Director) (appointed 13 July 2021)
Dr Tony McKenna (Managing Director and Chief Executive Officer) (resigned 6 November 2020)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- marketing and selling a portfolio of premium branded products for the health and wellness market;
- carrying out administrative and strategic work in support of the consolidated entity's new business model and the re-listing of the Company on the ASX.

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

Review of operations
Financial performance and position

Financial Performance

Revenue and other income from ordinary activities for the period was $1.43 million (30 June 2020: $0.93 million), an increase of 29.6% with growth in distribution of both Uganic and Little Innoscents. Net cash outflow from operating activities for the period was $4.38 million (30 June 2020: $7.57 million) a decrease of 42.1% and a decrease of 65.4% on 30 June 2019. This is primarily due to the continued restructuring of the business and a prudent capital management program.

The loss for the period attributable to holding company shareholders was $24.69 million (30 June 2020: $46.27 million) a decrease of 46.6% primarily driven by the disposal of Corio Bay Dairy Group (CBDG) and associated expenses.

Financial Position

The net assets of the entity for the period was -$0.25 million (30 June 2020: $2.8 million), mainly reflecting in an increase in current liabilities associated with an increase in borrowings with the issue of the Convertible Loans of $3.5 million and the write-down of assets in Blend and Pack, Remarkable Milk, CBDG and inventory.

Post completion of the financial year, borrowings have been reduced by $7.1 million via a conversion to equity and the Company raised under a Rights Issue $2.1 million, strengthening the financial position of the Company.

Year of strategic realignment and transformation
The year has built on the continued work on the previous periods of the Company of strategically realigning the business which resulted in a transformative transaction to acquire established brand and distribution company, Brand Solutions Australia (**BSA**). Wellnex now has a wide range of brands and products specifically in the health and wellness market with an established and growing revenue base and a re-capitalised balance sheet.

The Company will continue to employ a prudent capital management while at the same time look to expand its presence in the fast-growing health and wellness market.

<u>Brand and Revenue Expansion</u>
The acquisition of BSA after 30 June 2021 has increased and diversified its product offering to over 15 brands in the health and wellness market, including a joint venture brand with Chemist Warehouse.

The Company's existing brands, Uganic and Little Innoscents, continued to expand its distribution channels building on its 10-year supply agreement with Chemist Warehouse, with the Company during the period also acquiring the remaining 20% of Little Innoscents.

The Company, following the acquisition of BSA after 30 June 2021, now has an expected annualised revenue of circa $20 million and a recapitalised balance sheet with the sale of the Corio Bay Dairy Group Asset and the conversion of liabilities to equity.

<u>Corio Bay Dairy Group</u>
As part of the company strategic review a letter of default was issued to CBDG, under its first ranking security, forcing the directors of CBDG to place that company into administration. David Mutton from RSM Corporate was appointed administrator of CBDG and subsequent to his appointment conducted an extensive campaign to maximise the return to the Company.

The assets of CBDG was sold to Maeil Dairy for $13.5 million, with the Company paid an initial dividend of $11 million from the proceeds of the sale. The Company will receive an additional dividend on the conclusion of the administration process.

The administrator has identified circa $3.7 million in preferential creditor payments, with the administrator with the support of the Company commencing action to recover this amount. The Company at this point of time cannot quantify the amount or the success in recovery of these funds.

<u>Recapitalised Balance Sheet</u>
The Company during the period has strengthened its balance sheet, primarily through the sale of the CBDG asset. This has been further enhanced by the conversion of shareholder loans of circa $5.6 million and convertible loans of $1.45 million after 30 June 2021.

Shareholders approved the conversions on 21 May 2021, with the equity issued post completion of the period.

The Company also launched a rights issue in May 2021 successfully raising circa $2.1 million, with funds received in July 2021.

Other matters
The Company during the period, and approved by shareholders, changed the name of the Company from Wattle Health Australia Limited to Wellnex Life Limited.

The Company's new name better reflects the new direction the business is undertaking as an established participant in the health and wellness market.

Board and management changes
Tony McKenna resigned as Chief Executive Officer and Managing Director in November 2020.

George Karafotias was appointed as an Executive Director in November 2020.

Zack Bozinovski was appointed as Executive Director on 13 July 2021.

Significant changes in the state of affairs
The Company issued a default notice under its secured loan to Corio Bay Dairy Group Pty Ltd (CBDG), with the directors of CBDG subsequently placing CBDG into Voluntary Administration on 21 August 2020. The Company, under its secured loan to CBDG, worked closely with the Administrator to obtain a sale offer for CBDG's assets, which was achieved in December 2020 for $13.5 million.

On 21 October 2020, the Company announced that it had entered into a secured convertible note financing arrangement, with the key features of the convertible note as follows:

- total value of financing facility: $3,500,000
- amount drawn down as at 30 June 2021: $3,500,000 (before costs)
- the issue (and therefore convertibility) of the convertible note would be subject to shareholder approval pursuant to ASX listing rules. Until shareholder approval is obtained, any drawdowns including the initial $1,000,000 would be issued as a secured debt and, until shareholder approval was obtained for the issue of convertible note, the entire $3,500,00 funding arrangement would be a secured debt facility (shareholder approval was obtained on 21 May 2021)
- the secured note had a term of 12 months
- the secured note had a coupon rate of 12% per annum
- conversion price: $0.15 (15 cents) per share
- the Company could 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 was secured by general and specific security deeds over all of the Company's assets

On 9 November 2020 the Company announced that Dr Tony McKenna had resigned as Chief Executive Officer and Director of the Company, and that Mr George Karafotias had been appointed as Executive Director.

On 18 December 2020 the Company announced that:

- a binding offer from Korean Dairy Company Maeil Dairies Co. Ltd for the purchase of the assets of Corio Bay Dairy Group Limited (CBDG) for $13.5 million had been received by CBDG's Administrator; and
- the Company had consented to partially release its first ranking security over the assets of CBDG at settlement anticipated after December 2020.

As at the date of this report approximately $11 million of the CBDG amount has been received by the consolidated entity, with a further amount of up to approximately $500,000 expected to be received in FY2022.

The administrator of CBDG has identified circa $3.7 million in preferential creditor payments, with the administrator with the support of the Company commencing action to recover this amount. The Company at this point of time cannot quantify the amount or the success in recovery of these funds.

On 14 January 2021 the Company announced that it would buy back and cancel 13,437,500 fully paid ordinary shares (**Loan Shares**) which were originally issued in December 2017 to directors and employees pursuant to the Company's Employee Share Loan Plan. The buy back and share cancellation was completed on 4 February 2021.

On 12 February 2021 the Company announced that it had entered into an agreement to acquire the remaining 20% of its 80%-owned subsidiary, Little Innoscents Pty Ltd (**LI**), for $200,000, taking its ownership of LI to 100%.

On 13 April 2021 the Company announced its acquisition of brand and distribution businesses Brand Solutions Australia and Pharma Solutions Australia (**BSA**) for consideration of $2.75 million in cash and the issue of $2 million in fully paid shares in the Company at a deemed issue price of $0.15 (15 cents) per share, with a further agreement to pay the vendors of BSA deferred earn out consideration (comprising cash and further shares), conditional upon BSA meeting future EBITDA targets. The acquisition was conditional upon shareholder approval, which was subsequently given on 21 May 2021.

On 13 May 2021 the Company announced that it was undertaking a 1:12 non-renounceable rights issue at $0.15 (15 cents) per share, with completion being subject to re-quotation of the Company's shares on the ASX (which occurred in July 2021).

Following shareholder approval, the Company changed its name to Wellnex Life Limited on 1 June 2021.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
1 July 2021 – Wellnex Life completed the acquisition of established brand and distribution company, Brand Solutions Australia via the issue of 13,331,667 fully paid ordinary shares and the payment of $2.75 million cash. The total consideration of the acquisition is approximately $4.75 million. With regards to the fair value of assets and liabilities acquired the majority of the value is expected to be realised in the value of the brand names by the Group. Work is ongoing to determine the calculation of these fair values as at the date of this report.

5 July 2021 – The Company completed a Rights Issue raising $2.17 million through the issue of 14,515,931 fully paid ordinary shares at $0.15.

9 July 2021 – The Company issued 41,808,781 fully paid ordinary shares to convert shareholder loans of $5.6 million and convertible loans of $1 million.

9 July 2021 – The Company Issued 13.5 million unlisted options to Reach Corporate at a conversion price of $0.15 expiring 24 months from issue.

9 July 2021 – The Company issued 47,525,221 listed options at a conversion price of $0.20 expiring 10 July 2023. The Company was issued to the following parties:
- Reach Corporate 7,500,000
- Shareholder and Convertible Loan investors – 20,904,390
- Institutional Placement Investors (April 2020) – 19,120,831

13 July 2021 - Executive Director George Karafotias was appointed to the role of Chief Executive Officer.

13 July 2021 – Zack Bozinovski was appointed as Executive Director and Chief Strategy Officer of Wellnex Life.

14 July 2021 – The Company received confirmation from the ASX that the Company's securities would achieve re-quotation to official quotation.

20 July 2021 – The Company converted $200,000 of the Convertible Loans via the issue of 1,333,333 fully paid ordinary shares and 666,667 listed options at $0.20 expiring 10 July 2023.

18 August 2021 – The Company secured a licensing agreement with Mark Wahlberg's Performance Inspired brand on an exclusive basis for Australia and New Zealand.

20 August 2021 – The Company converted $250,000 of the Convertible Loans via the issue of 1,666,666 fully paid ordinary shares and 833,333 listed options at $0.20 expiring 10 July 2023.

10 September 2021 – The Company redeemed $2,000,000 of the Convertible Loans through existing cash reserves.

No other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations
The Company will continue to expand its established brand and product portfolio in the health and wellness market across its substantial distribution network, with the Company having over 15 brands distributed in retailers that represent over 90% of sales in the health and wellness sector.

At the time of the preparation of this report the Company has launched a further 3 new brands, Wagner Liquigesics, Wakey Wakey and The Iron Company, with ranging secured in major pharmaceutical and grocery retailers.

The Company is also looking at expanding its current Little Innoscents offerings with new products and formulations and looking at options for its Uganic infant formula range.

The Company will continue to operate a capital light business model ensuring it has the financial capacity to take advantage of the opportunities in the growing health and wellness market.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Eric Jiang
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce (Honours) & Bachelor of Arts
Experience and expertise:	With over 15 years' experience, Eric Jiang is an adviser to companies involved in trade between Australia and China. Eric brings a distinctive understanding of the cultural, economic and strategic context in which Australian businesses engage with China.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Remuneration and Nomination Committee, member of Audit and Risk Committee
Interests in shares:	1,882,371 fully paid ordinary shares.

Name:	Zheng (Kobe) Li
Title:	Non-Executive Director
Qualifications:	AGIA
Experience and expertise:	Prior to his appointment as director in January 2019, Mr Li spent the previous 8 years with the Australian Securities Exchange (ASX) Listing Compliance team, as a Senior Advisor overseeing a portfolio of listed entities ensuring compliance with the ASX listing rules. During his tenure at the ASX he worked on many Initial Public Offerings (IPO's) and numerous complex corporate transactions. Kobe is a member of the Governance Institute of Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee, Member of Remuneration and Nomination Committee
Interests in shares:	Nil

Name:	George Karafotias
Title:	Executive Director and Chief Executive Officer
Qualifications:	B. Comm
Experience and expertise:	Mr Karafotias is an accountant holding a Bachelor of Commerce degree from the University of Adelaide. He has held various roles in numerous public companies over the last 9 years and has previously provided corporate advisory services to listed and unlisted companies, focusing on restructuring and refinancing.
Other current directorships:	Perpetual Resources Limited (ASX:PEC).
Former directorships (last 3 years):	None
Interests in shares:	613,453 fully paid ordinary shares

Name:	Zlatko (Zack) Bozinovski (appointed 13 July 2021)
Title:	Executive Director and Chief Strategy Officer
Experience and expertise:	Mr Bozinovski is a highly successful and seasoned executive in the Australian retail industry with over 35 years' experience within FMCG and Pharmaceuticals companies in Australia and internationally. Mr Bozinovski co-founded Voost and has previously held senior positions at Uncle Tobys/Goodman Fielder, Pepsi Co and Sigma Pharmaceuticals.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	11,998,500
Interests in options:	3 (convertible into fully paid ordinary shares, on the terms set out in the Company's prospectus released to the ASX on 13 May 2021 and Notice of Meeting released to the ASX on 20 April 2021)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Kobe Li

Mr Li's qualifications and experience are set out above.

Meetings of directors
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Eric Jiang	10	10
Kobe Li	10	10
George Karafotias*	8	8
Tony McKenna**	2	2

Held: represents the number of meetings held during the time the director held office.

* Appointed effective 9 November 2020
** Resigned effective 6 November 2020

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Non-Executive Directors may be issued with equity instruments as LTIs (long term incentives) in a manner that aligns this element of remuneration with the creation of shareholder wealth, as Directors are able to influence the generation of shareholder wealth.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- share-based payments

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments.

Consolidated entity performance and link to remuneration
The Board is of the opinion that improved results can be further improved by the adoption of performance based compensation.

The consolidated entity did not use a remuneration consultant during the year.

Voting and comments made at the Company's 21 May 2021 Annual General Meeting ('AGM')
At the 21 May 2021 AGM, 96.1% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Wellnex Life Limited:
- Eric Jiang (Non-Executive Director)
- Zheng (Kobe) Li (Non-Executive Director)
- George Karafotias (Chief Financial Officer and appointed as Executive Director 9 November 2020)
- Tony McKenna (Chief Executive Officer and Managing Director - resigned 6 November 2020)

Changes since the end of the reporting period:
Zack Bozinovski (Executive Director) (appointed 13 July 2021)

	Short-term benefits			Post-employment benefits		Share-based payments	
30 June 2021	Cash salary and fees $	Termination payment amount $	Expense allowance $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Eric Jiang	56,940	-	-	-	-	-	56,940
Kobe Li (1)	147,600	-	-	-	-	-	147,600
Executive Directors:							
George Karafotias (2)	328,043	-	-	19,503	8,846	-	356,392
Tony McKenna (3)	38,052	-	-	3,615	-	-	41,667
	570,635	-	-	23,118	8,846	-	602,599

(1) Mr Li's remuneration comprised directors fees of $40,000, fees of $50,000 for Company secretarial services and fees of $57,600 for additional secretarial and consulting services outside the scope of normal director and agreed company secretarial work.
(2) Appointed as director 9 November 2020 but was Key Management Personnel for full year. These amounts reflect remuneration for full year. Amount for Cash Salary and Fees includes net movement in annual leave provision during the year.
(3) Resigned 6 November 2020

	Short-term benefits			Post-employment benefits		Share-based payments	
30 June 2020	Cash salary and fees $	Termination payment amount $	Expense allowance $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Peter Biantes (1)	26,665	-	-	-	-	-	26,665
Eric Jiang	52,000	-	-	4,940	-	-	56,940
Kobe Li (6)	155,625	-	-	-	-	-	155,625
Executive Directors:							
Lazarus Karasavvidis (2)	327,625	141,479	11,667	12,020	-	-	492,791
Georgia Sotiropoulos (3)	174,000	-	-	-	-	-	174,000
Tony McKenna (4)	227,516	-	-	21,614	-	-	249,130
Other Key Management Personnel:							
Martin Glenister (5)	200,688	44,249	11,667	12,020	-	-	268,624
George Karafotias (7)	315,000	-	-	21,003	3,151	-	339,154
	1,479,119	185,728	23,334	71,597	3,151	-	1,762,929

(1) Mr Peter Biantes resigned 16 June 2020.
(2) Mr Karasavvidis resigned as a director on 7 January 2020. The termination payment amount includes accrued leave and other amounts payable upon cessation.
(3) Ms Sotiropoulos ceased as a director and member of Key Management Personnel on 7 January 2020.
(4) Dr Tony McKenna was appointed 13 January 2020
(5) Mr Glenister resigned on 7 January 2020. The termination payment amount includes accrued leave and other amounts payable upon cessation.
(6) Mr Li's remuneration comprised directors fees of $40,000, fees of $50,000 for Company secretarial services and fees of $65,625 for additional secretarial and consulting services outside the scope of normal director and agreed company secretarial work.
(7) Amount for Cash Salary and Fees includes net movement in annual leave provision during the year.

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	George Karafotias
Title:	Chief Executive Officer and Executive Director
Term of agreement:	No fixed term.
Details:	Annual remuneration of $300,000 plus statutory superannuation. No specific notice period nor specific termination payment provided for.

Name:	Zlato Bozinovski
Title:	Executive Director and Chief Strategy Officer
Term of agreement:	No fixed term
Details:	Annual remuneration of $328,500 inclusive of superannuation. No specific notice period nor specific termination payment provided for.

Name:	Eric Jiang
Title:	Non-Executive Director
Term of agreement:	No fixed term
Details:	Annual remuneration of $52,000 plus statutory superannuation

Name:	Kobe Li
Title:	Non-Executive Director and Company Secretary
Term of agreement:	No fixed term
Details:	Annual remuneration of $40,000 (excluding GST) for director fees and annual remuneration of $50,000 (excluding GST) for company secretarial service fees.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue	1,434	1,107	1,095	1,524	928
Net loss	(20,119)	(65,443)	(10,341)	(19,839)	(4,151)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021*	2020*	2019	2018
Share price at financial year end ($)	0.53	0.53	0.50	1.17

* The Company's shares were placed into ASX suspension on 2 October 2019 and remained in suspension on 30 June 2020 and 30 June 2021. The shares were reinstated to ASX official quotation on 14 July 2021. The Company's share price was 12 cents at the end of the first day of trading after the shares were reinstated to quotation.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ Other	Balance at the end of the year
Ordinary shares					
Eric Jiang (1)	2,882,371	-	-	(1,000,000)	1,882,371
Kobe Li	-	-	-	-	-
George Karafotias (1)	2,613,454	-	-	(2,000,000)	613,454
Tony McKenna (2)	-	-	-	-	-
	5,495,825	-	-	(3,000,000)	2,495,825

(1) "Other" reflects cancellation of loan shares
(2) Resigned 6 November 2020

The number of shares in the Company held at the date of this report by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at date of annual report
Ordinary shares	
Eric Jiang	1,882,371
Kobe Li	-
George Karafotias	613,454
Zlato Bozinovski (1)	11,998,500
	14,494,325

(1) Appointed 13 July 2021

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Wellnex Life Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
9 July 2021	10 July 2023	$0.20	47,525,221
9 July 2021	30 September 2023	$0.15	13,500,000
9 July 2021	Expiring various dates*	$0.00	3
20 July 2021	10 July 2023	$0.20	666,667
20 August 2021	10 July 2023	$0.20	833,333
			62,525,224

* Consideration Options - refer to the Prospectus released to the ASX on 13 May 2021 and Notice of Meeting released to the ASX on 20 April 2021 for more details of the terms of these options.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Wellnex Life Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

George Karafotias
Executive Director

30 September 2021
Melbourne

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF WELLNEX LIFE LIMITED (FORMERLY KNOWN AS WATTLE HEALTH AUSTRALIA LIMITED)

I declare that, to the best of my knowledge and belief during the year ended 30 June 2021 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A. A. Finnis
Director

Melbourne 30 September 2021

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Wellnex Life Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 30 June 2021 $'000	Consolidated 30 June 2020 $'000
Revenue		1,195	934
Other income		239	114
Interest revenue calculated using the effective interest method		-	59
Expenses			
Raw materials and consumables used		(1,360)	(487)
Administrative and corporate expenses		(2,795)	(3,431)
Share based payments issued to third parties	9	(2,345)	(1,641)
Employee benefits expense		(1,281)	(2,271)
Selling, marketing and distribution expenses		(1,981)	(2,072)
Depreciation and amortisation expense	8	(83)	(226)
Loss on disposal of CBDG	5	(8,346)	-
Impairment of assets	6	(636)	(11,333)
Movement in fair value of investments	7	(1,100)	(5,027)
Impairment of plant and equipment		-	(27,842)
Transaction termination fee (share based payment)	9	-	(11,360)
Finance costs		(1,626)	(860)
Loss before income tax expense		(20,119)	(65,443)
Income tax expense	10	-	-
Loss after income tax expense for the year		(20,119)	(65,443)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(20,119)	(65,443)
Loss for the year is attributable to:			
Non-controlling interest		4,569	(19,177)
Owners of Wellnex Life Limited		(24,688)	(46,266)
		(20,119)	(65,443)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		4,569	(19,177)
Owners of Wellnex Life Limited		(24,688)	(46,266)
		(20,119)	(65,443)
		Cents	**Cents**
Basic loss per share	36	(10.31)	(22.61)
Diluted loss per share	36	(10.31)	(22.61)

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 2021

	Note	Consolidated 30 June 2021 $'000	Consolidated 30 June 2020 $'000
Assets			
Current assets			
Cash and cash equivalents		7,775	1,118
Trade and other receivables	11	886	831
Finished goods inventory	12	664	951
Investments		-	25
Prepayments and other	13	493	342
Total current assets		9,818	3,267
Non-current assets			
Other financial assets	14	-	1,121
Property, plant and equipment	15	-	13,503
Right-of-use assets	16	125	742
Intangibles	17	479	487
Other		-	107
Total non-current assets		604	15,960
Total assets		10,422	19,227
Liabilities			
Current liabilities			
Trade and other payables	18	1,266	10,510
Borrowings	19	9,175	4,121
Lease liabilities	20	30	225
Employee benefit provisions		76	93
Total current liabilities		10,547	14,949
Non-current liabilities			
Borrowings	21	-	906
Lease liabilities	22	103	544
Employee benefit provisions		21	7
Total non-current liabilities		124	1,457
Total liabilities		10,671	16,406
Net assets/(liabilities)		(249)	2,821
Equity			
Issued capital	23	91,726	91,726
Reserves	24	2,512	12,233
Accumulated losses	25	(94,487)	(81,755)
Equity/(deficiency) attributable to the owners of Wellnex Life Limited		(249)	22,204
Non-controlling interest		-	(19,383)
Total equity/(deficiency)		(249)	2,821

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 2021

Consolidated	Issued capital $'000	Share-based payment reserve $'000	Convertible loan reserve $'000	Accumulated losses attributable to owners of the Parent entity $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	74,900	12,233	-	(35,489)	(206)	51,438
Loss after income tax expense for the year	-	-	-	(46,266)	(19,177)	(65,443)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(46,266)	(19,177)	(65,443)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 23)	16,826	-	-	-	-	16,826
Balance at 30 June 2020	91,726	12,233	-	(81,755)	(19,383)	2,821

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

Wellnex Life Limited
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $'000	Share-based payment reserve $'000	Convertible loan reserve $'000	Accumulated losses attributable to owners of the Parent entity $'000	Non-controlling interest $'000	Total deficiency in equity $'000
Balance at 1 July 2020	91,726	12,233	-	(81,755)	(19,383)	2,821
Profit/(loss) after income tax expense for the year	-	-	-	(24,688)	4,569	(20,119)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(24,688)	4,569	(20,119)
Reserve relating to new compound financial instruments	-	-	167	-	-	167
Transactions with owners in their capacity as owners:						
Share-based payments (note 37)	-	2,345	-	-	-	2,345
Expiry of employee Loan Share Plan shares	-	(12,233)	-	12,233	-	-
Derecognition of non-controlling interest upon deconsolidation of Corio Bay Dairy Group	-	-	-	-	14,737	14,737
Derecognition of non-controlling interest upon full acquisition of Little Innoscents	-	-	-	-	77	77
Adjustment to equity arising from change in Little Innoscents non-controlling interest	-	-	-	(277)	-	(277)
Balance at 30 June 2021	91,726	2,345	167	(94,487)	-	(249)

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 2021

	Note	Consolidated 30 June 2021 $'000	Consolidated 30 June 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,271	1,119
Payments to suppliers and employees (inclusive of GST)		(5,270)	(8,853)
Interest received		-	58
Interest and other finance costs paid		(439)	(8)
Government grants		62	114
Net cash used in operating activities	35	(4,376)	(7,570)
Cash flows from investing activities			
Payments for investments		(666)	(2,981)
Payments relating to investment projects		(791)	-
Payments for plant construction		-	(23,765)
Proceeds received from CBDG administrator in settlement of CBDG loan		11,000	-
Proceeds from term deposits		21	9,824
Relinquishment of cash upon deconsolidation of CBDG		(80)	-
Net cash from/(used in) investing activities		9,484	(16,922)
Cash flows from financing activities			
Proceeds from issue of shares		-	4,160
Proceeds from borrowings		3,220	3,665
Transaction costs related to issues of equity securities or convertible debt securities		(1,139)	(508)
Transaction costs related to loans and borrowings		(370)	-
Share applications refunded		(81)	-
Share applications to be refunded		-	81
Repayment of borrowings		(10)	-
Repayment of lease liabilities		(71)	(116)
Net cash from financing activities		1,549	7,282
Net increase/(decrease) in cash and cash equivalents		6,657	(17,210)
Cash and cash equivalents at the beginning of the financial year		1,118	18,317
Effects of exchange rate changes on cash and cash equivalents		-	11
Cash and cash equivalents at the end of the financial year		7,775	1,118

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 are:

Registered office	Principal place of business
Level 21, 459 Collins Street Melbourne VIC 3000	Building 2, Level 3, 574 Plummer St 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 30 September 2021. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. This did not have a material impact on the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. The adoption of the revised Conceptual Framework did not require any material adjustments and did not have a material impact on the consolidated entity's financial statements.

Continuation of business
The financial report has been 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 going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments.

The consolidated entity made a loss after tax of $20,119,000 during the year ended 30 June 2021 (2020: loss of $65,443,000) and the net cash used in operating activities was $4,376,000 (2020: $7,570,000 net outflow).

The cash balance as at 30 June 2021 was $7,775,000 (30 June 2020: $1,118,000). The excess of current liabilities over current assets as at 30 June 2021 was $729,000 (30 June 2020: excess of current liabilities over current assets of $11,682,000). The net asset deficiency as at 30 June 2021 was $249,000 (30 June 2020: net asset surplus of $2,821,000).

Note 2. Significant accounting policies (continued)

Notwithstanding these results, the directors believe that the Company will be able to continue as a going concern and as a result the financial statements have been prepared on a going concern basis. The accounts have been prepared on the basis that the consolidated entity will continue its business activities (and that, therefore, the Company is a going concern) for the following reasons:

- operating loss results for the June 2021 and June 2020 financial years were due mainly to the consolidated entity's losses arising from the operations and eventual liquidation, during the June 2021 financial year, of Corio Bay Dairy Group Pty Ltd (CBDG), and the deconsolidation of that company from the consolidated entity. As CBDG is no longer part of the consolidated entity, these losses will not recur;
- the Company has refocused on its core business strategy of developing, marketing, and distributing health and wellness products, including the scaling and expansion of its product portfolio;
- the Company has acquired the Brand Solutions Australia business, providing the consolidated entity with a wider and more diverse range of consumer health and wellness brands and products as well as supporting capabilities, including experienced management, R&D, sales and marketing and supply relationships;
- the Company has strengthened its cash position, following the completion of a rights issue;
- the Company has, following the end of the June 2021 financial year, converted approximately $7.05m of its short term loan liabilities to equity, thereby restoring a strong working capital position and returning to a net asset surplus;
- the Company's shares have been relisted on the ASX;
- since the end of the June 2021 financial year, the Company has launched new brands and products, has entered into a new licensing agreement and has secured ranging of its products in major pharmaceutical and grocery retailers.

Basis of preparation
These general purpose 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').

Historical cost convention
The financial statements have been prepared under the historical cost convention, unless otherwise noted.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Wellnex Life Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Wellnex Life Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 2. Significant accounting policies (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
The consolidated entity predominantly derives revenue from the sale of goods to commercial customers on normal credit terms and to retail customers via on-line sales. Contracts with customers have one performance obligation, that being the delivery of the product, at which point revenue from the sale of goods is recognised. Sales contracts do not contain provisions for sales returns, rebates, discounts or any ongoing service and the total transaction price does not contain any variable consideration in relation to such items.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Government grants are recognised as income when the consolidated entity has reasonable assurance that conditions attaching to the grants will be complied with and the grant will be received.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 2. Significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets

Unless otherwise noted, financial assets are measured at amortised cost if held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. Debt investments are measured at fair value through other comprehensive income if held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets, including investments in other companies are classified and measured at fair value through profit or loss unless the consolidated entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Property, plant and equipment
Land and buildings are stated at historical cost less any applicable accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Buildings	25-40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 2. Significant accounting policies (continued)

Leasehold improvements and property, plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant or equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Borrowing costs
Costs in relation to borrowings are capitalised as an asset and amortised on a straight-line basis over the period of the finance arrangement.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Note 2. Significant accounting policies (continued)

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled share-based compensation benefits may be provided to employees and equity-settled share-based payments may be made to third parties as consideration for the provision of services or as settlement of other transactions.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees or other parties in exchange for the rendering of services or as transaction consideration. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees or other parties to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 2. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee or other party, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee or other party and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 2. Significant accounting policies (continued)

Earnings/Loss per share

Basic earnings/loss per share
Basic earnings/loss per share is calculated by dividing the profit/loss attributable to the owners of Wellnex Life Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings/loss per share
Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

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.

For the valuation of the share based payment in the year ended 30 June 2020 relating to the transaction termination fee to Mason Dairy Holdings Limited (Mason) referred to in Note 9, the Board exercised judgement in measuring the cost of the transaction by reference to the agreed price of $0.64 per share, in accordance with the relevant agreement between the Company and Mason, rather than by reference to the fair value of the Company's shares at the relevant time.

Share based payment to Chemist Warehouse
In respect of the fee payable by the Company during the year ended 30 June 2020 to Chemist Warehouse upon the signing of a long term supply agreement, as referred to in Note 23, this was offset against the subscription price payable in respect of the issue of shares to Chemist Warehouse. Generally, payments to a customer for a distinct good or service are accounted for under AASB 15 Revenue from Contracts with Customers. The fee payable to Chemist Warehouse did not represent a payment for distinct goods or services. In addition, given that the Company has issued shares, this is considered not to be consideration payable to a customer within the scope of AASB 15.

As a result, AASB 2 Share-based Payments has been applied. The consolidated entity has measured the services received by reference to the fair value of the shares 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.

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.

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 2021.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment: the provision of high quality Australian made health and wellness products throughout Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Operating segments (continued)

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 2021 the consolidated entity operated in one business and geographical segment, being a provider of high quality Australian made health and wellness products throughout Australia.

Major customers
During the year ended 30 June 2021 approximately 43% (2020: 45%) of the consolidated entity's external revenue was derived from sales to one customer.

Geographic information
The consolidated entity's operations are conducted wholly within Australia. All of the consolidated entity's revenues are derived from activities within Australia and all assets and liabilities are located in Australia.

Note 5. Loss on disposal of Corio Bay Dairy Group

Corio Bay Dairy Group Pty Ltd (CBDG), a controlled entity of the Company and a member of the consolidated entity, was placed into voluntary administration by its directors in August 2020. At the time that that CBDG was placed into voluntary administration the Company ceased to control CBDG and, therefore, CBDG ceased to be a member of the consolidated entity. Consequently, CBDG was deconsolidated from the consolidated entity, which resulted in the following loss being incurred by the consolidated entity upon that deconsolidation.

	Consolidated	
	30 June 2021 $'000	**30 June 2020 $'000**
De-recognition of net liabilities before derecognition of non-controlling interest attributed to the owners of Wattle Health Australia Limited upon deconsolidation of CBDG	6,446	-
Loss on derecognition of non-controlling interest upon deconsolidation of CBDG	(14,792)	-
Loss on disposal of CBDG	(8,346)	-

In accordance with Accounting Standard AASB10 *Consolidated Financial Statements* the consolidated entity has, upon losing control of Corio Bay Dairy Group Pty Ltd (CBDG) during the reporting period, derecognised the carrying value of non-controlling interests in CBDG at the date when control was lost and recognised this amount as a loss in profit and loss attributable to the parent entity.

Note 6. Expenses - Impairment of assets

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Impairment of receivables - Loan to Corio Bay Dairy Group Limited	602	-
Write off of ODFA exclusivity and management fee	-	4,200
Write off prepayments for supply of raw materials	-	3,184
Write off ODFA prepayment	-	1,500
Loss of non-refundable deposit on proposed Blend & Pack acquisition	-	1,481
Impairment of Little Innoscents goodwill	-	404
Write off of spray Dryer intellectual property	-	300
Impairment of trade receivables	34	264
	636	11,333

Details of significant write offs and impairments shown above are as follows:
- Further impairment to loan receivable from Corio Bay Diary Group Pty Ltd, following review of recoverability at 30 June 2021.
- In relation to impairments recorded in the financial year ended 30 June 2020, refer to the 30 June 2020 annual report of the consolidated entity for further information that has already been disclosed to the market.

Note 7. Expenses - Fair value adjustments of assets

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Reduction in fair value of investment in Blend & Pack Pty Ltd	1,000	4,127
Reduction in fair value of investment in Remarkable Milk Company Pty Ltd	100	900
	1,100	5,027

Details of items above are as follows:

- Write-down of investment in Blend & Pack Pty Ltd - The Board reviewed the carrying value of the Company's investment in Blend & Pack Pty Ltd (Blend & Pack) as at 30 June 2021. As a result of this review, the Board determined that the fair value of the Company's investment in Blend & Pack was nil at that date and a loss of $1,000,000 was recognised. The $1,000,000 fair value loss was recorded in the consolidated entity's statement of profit and loss for the year ended 30 June 2021.
- Write-down of investment in Remarkable Milk Company Pty Ltd - The Board reviewed the carrying value of the Company's investment in Remarkable Milk Company Pty Ltd (RMC) as at 30 June 2021. As a result of this review, the Board determined that the fair value of the Company's investment in RMC was nil at that date and a loss of $100,000 was recognised. The $100,000 fair value loss was recorded in the consolidated entity's statement of profit and loss for the year ended 30 June 2021.

Note 8. Expenses

	Consolidated	
	30 June 2021 $'000	**30 June 2020 $'000**
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	3	-
Land and buildings right-of-use assets	72	219
Total depreciation	75	219
Amortisation		
Patents and trademarks	8	7
Total depreciation and amortisation	83	226
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	1,230	1,986

Note 9. Share based payments

(a) Issues of options to service providers and placement share recipients

During the financial year ended 30 June 2021, the Company recorded share based payment expenses comprising the value of options issued to advisors and to recipients of placement shares. Further details are set out in Note 37.

	Consolidated	
	30 June 2021 $'000	**30 June 2020 $'000**
Advisor options	1,512	-
Placement options	833	-
Share issues to service providers	-	1,641
	2,345	1,641

(b) Transaction termination fee - share based payment

During the previous financial year ended 30 June 2020, the Company recorded a share based payment expense of $11,360,000, being the agreed value of 17,750,302 shares issued by the Company on 7 April 2020 to Mason Dairy Holdings Limited (Mason) as a Transaction termination fee payable upon the termination of the proposed acquisition by the Company of Blend & Pack Pty Ltd (Blend & Pack).

Under the terms of a Deposit Promissory Note entered into by the Company and Mason on 10 January 2020 in relation to the proposed Blend & Pack acquisition, the Company was obliged to issue to Mason 17,750,302 shares credited as fully paid, at an agreed price of $0.64 per share, as part of a non-refundable deposit.

Note 10. Income tax benefit

	Consolidated 30 June 2021 $'000	Consolidated 30 June 2020 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	44,110	37,846
Potential tax benefit @ 25% (2020: 26%)	11,028	9,840

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 11. Current assets - trade and other receivables

	Consolidated 30 June 2021 $'000	Consolidated 30 June 2020 $'000
Trade receivables	212	82
Amount receivable from Corio Bay Dairy Group Pty Ltd	500	-
Other receivables	-	39
BAS receivable	174	710
	886	831

The Amount receivable from Corio Bay Dairy Group Pty Ltd reflects the estimated remaining funds the Company expects to receive from the administrator of its debtor Corio Bay Dairy Group Pty Ltd (CBDG) and reflects the total receivable of $1,102,000, less the impairment writedown of $602,000 referred to in Note 6. The amount is currently held on trust for the Company by the administrator of CBDG.

Note 12. Current assets - Finished goods inventory

	Consolidated 30 June 2021 $'000	Consolidated 30 June 2020 $'000
Inventory - finished goods	664	951

Note 13. Current assets - Prepayments and other

	Consolidated 30 June 2021 $'000	Consolidated 30 June 2020 $'000
Prepayments	27	342
Other current assets	466	-
	493	342

Other current assets comprises an advance payment made to secure the Company's acquisition of the Brand Solutions Australia and Pharma Solutions Australia business, as announced to the market on 13 April 2021. Following completion of the acquisition after 30 June 2021 this amount is to be transferred to the Company's recorded investment in this business.

Note 14. Non-current assets - other financial assets

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Investment - Blend and Pack	-	5,127
Less: Movement in fair value	-	(4,127)
	-	1,000
Investment - Remarkable Milk Company	-	1,000
Less: Movement in fair value	-	(900)
	-	100
Long-term bank deposits	-	21
	-	1,121

	Investment - Blend and Pack $'000	Investment - Remarkable Milk Company $'000	Long-term bank deposits $'000	Total $'000
Balance at 1 July 2019	5,127	1,000	21	6,148
Write-down of investment	(4,127)	(900)	-	(5,027)
Balance at 30 June 2020	1,000	100	21	1,121
Write-down of investment	(1,000)	(100)	-	(1,100)
Transfer to cash	-	-	(21)	(21)
Balance at 30 June 2021	-	-	-	-

Refer Note 7 for information about the losses recorded in the year ending 30 June 2021 from the reassessment of fair values of the investments in Blend and Pack Pty Ltd (Blend & Pack) and The Remarkable Milk Company Pty Ltd (Remarkable Milk Company).

Note 15. Non-current assets - property, plant and equipment

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Land - at cost	-	2,100
Office equipment - at cost	-	96
Property, plant & equipment under construction	-	11,307
	-	13,503

Note 15. Non-current assets - property, plant and equipment (continued)

Consolidated	Land at cost $'000	Property, plant & equipment under construction $'000	Office equipment $'000	Total $'000
Balance at 1 July 2019	2,100	10,280	9	12,389
Additions	-	28,869	87	28,956
Impairment of assets	-	(27,842)	-	(27,842)
Balance at 30 June 2020	2,100	11,307	96	13,503
Derecognition of assets following deconsolidation of CBDG	(2,100)	(11,307)	(93)	(13,500)
Depreciation expense	-	-	(3)	(3)
Balance at 30 June 2021	-	-	-	-

Note 16. Non-current assets - right-of-use assets

	Consolidated	
	30 June 2021 $'000	**30 June 2020 $'000**
Land and buildings - right-of-use	173	922
Less: Accumulated depreciation	(48)	(212)
	125	710
Office equipment - right-of-use	-	39
Less: Accumulated depreciation	-	(7)
	-	32
	125	742

The consolidated entity leases land and buildings for its offices and warehouses under agreements of between 3 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases office equipment under agreements of 5 years.

Note 17. Non-current assets - intangibles

	Consolidated	
	30 June 2021 $'000	**30 June 2020 $'000**
Goodwill - at cost	471	875
Less: Impairment	-	(404)
	471	471
Patents and trademarks - at cost	69	69
Less: Accumulated amortisation	(61)	(53)
	8	16
	479	487

In relation to the impairment of Goodwill recognised in financial year ended 30 June 2020 refer to the 30 June 2020 annual report of the consolidated entity for further information that has already been disclosed to the market.

Note 17. Non-current assets - intangibles (continued)

Goodwill
During the year ended 30 June 2018, the consolidated entity acquired the Little Innoscents business.

The original balance of goodwill of $875,000 represented the expected benefits expected to accrue to the consolidated entity from the Little Innoscents acquisition. That balance was written down to a recoverable amount of $471,000 as at 30 June 2020.

For the purpose of ongoing annual impairment testing goodwill is allocated to the Little Innoscents cash-generating unit (CGU), which is the unit expected to benefit from the synergies of the business combination from which the goodwill arises.

Methodology

An impairment loss expense in the profit or loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The consolidated entity determined the recoverable amounts of the Little Innoscents CGU using a value in use approach.

The recoverable amount of the CGU has been determined by valuation models that estimated the future cash flows relying on historical performance and growth, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

The discounted cash flow model used in the assessment of value in use is sensitive to a number of key assumptions, including revenue growth rates, discount rates, operating costs and foreign exchange rates. These assumptions can change over short periods of time and can have a significant impact on the carrying value of the assets.

Impairment testing for CGUs containing goodwill

Goodwill arose in the business combinations for the acquisition of Little Innoscents. It represented the excess of the cost of the acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired and contingent liabilities assumed at the date of acquisition. Goodwill is allocated to the consolidated entity's cash generating units (CGUs) identified according to the consolidated entity's operating segments for impairment testing purposes.

In assessing whether an impairment adjustment is required for the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

Value in use and key assumptions

The consolidated entity estimates the value-in-use of the Little Innoscents CGU using discounted cash flows. For the current reporting period, the recoverable amount of the CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using the estimated growth rates and assumptions used in the value in use calculations are stated below:

- Discount rate - 11.05%
- Management has made numerous assumptions about the budgeted revenue to be achieved in 2022, and this has resulted in a budgetted revenue increase compared to the actual revenues in 2021, this contemplates successful launch of new products from existing assets which would increase the Company's revenues and cash flows.
- Growth projections - revenue increase at average rates of approximately 15% per annum, based on past and expected trends
- Expenses increase at average rates of 2% per annum, based on past based on past and expected trends
- Long term growth rate used to extrapolate cash flow projections beyond forecast period - 2% per annum

Apart from the considerations described in determining the value-in-use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Note 17. Non-current assets - intangibles (continued)

Sensitivity

As disclosed in note 3, the directors have made judgements and estimates in revenue growth and operating costs/ overheads level in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash generating unit's carrying amount to exceed its recoverable amount. No reasonably possible change in the assumptions used in the impairment calculation would generate an impairment charge.

Note 18. Current liabilities - trade and other payables

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Trade Payables	805	9,864
Accruals	147	375
Other payables	314	271
	1,266	10,510

Refer to note 26 for further information on financial instruments.

Note 19. Current liabilities - borrowings

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Loans - other	-	4,121
Convertible loans	9,175	-
	9,175	4,121

Refer to note 26 for further information on financial instruments.

Convertible loans comprises the fair values of the following three categories of borrowings:

(i) Shareholder loans
- a loan with an original face value of $1,600,000 made by a major shareholder of the Company, who is a non-related entity of the consolidated entity. The loan is unsecured and is repayable at call;
- a loan with an original face value of $375,000 by a non-related entity. The loan is unsecured and is repayable at call;
- funds with an original face value totalling $2,055,000 advanced to the Company by existing shareholders. These advances are unsecured and repayable at call.

The Company obtained shareholder approval in May 2021 to convert these loans into fully paid ordinary shares in the Company, with the lenders agreeing to convert outstanding debts to shares at $0.15 per share, with these conversions taking place on 1 July 2021. The balance at 30 June 2021 reflects the fair value of these liabilities at that date and reflects their convertibility into shares.

Note 19. Current liabilities - borrowings (continued)

(ii) Loan - Niche Diary Pty Ltd

This is a loan with an original face value of $906,000 by a non-related entity. The loan was to be repaid within 12 months and interest was payable at a combination of the RBA 90 day swap rate, on 54% of the loan, and 15% per annum on the remainder.

The Company obtained shareholder approval in May 2021 to convert this loan into fully paid ordinary shares in the Company, with the lender agreeing to convert outstanding debts to shares at $0.15 per share, with this conversion taking place on 1 July 2021. The balance at 30 June 2021 reflects the fair value of this liability at that date and reflects its convertibility into shares.

(iii) Convertible loans payable

On 21 October 2020, the Company announced that it had entered into a secured convertible note financing arrangement, with the key features of the convertible note as follows:

- total value of financing facility: $3,500,000;
- amount drawn down as at 30 June 2021: $3,500,000 (before costs);
- subsequent drawdowns can be requested by the Company, subject to agreement by the noteholder (not to be unreasonably withheld);
- the issue (and therefore convertibility) of the convertible note is subject to shareholder approval pursuant to ASX listing rules. Until shareholder approval is obtained, any drawdowns including the initial $1,000,000 is issued as a secured debt and, until shareholder approval is obtained for the issue of convertible note, the entire $3,500,000 funding arrangement is a secured debt facility;
- the secured note has a term of 12 months;
- the secured note has a coupon rate of 12% per annum;
- conversion price: $0.15 (15 cents) per share;
- 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;
- the Company obtained shareholder approval in May 2021 to convert the note into fully paid ordinary shares in the Company, with this conversion to take place after 30 June 2021.

  As at the date of this report $1.45 million of the note's value has been converted to shares.

The total balance of all the above convertible loans at 30 June 2021 reflects the fair value of this liability at that date, reflects its convertibility into shares and includes the following:

- accrued interest and borrowing costs totalling approximately $906,000; and
- a reduction of approximately $167,000 arising from the transfer of the recognised value of the equity components of the convertible loans to the Convertible loan reserve as noted in Note 24.

Note 20. Current liabilities - lease liabilities

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Lease liability	30	225

Refer to note 26 for further information on financial instruments.

Note 21. Non-current liabilities - borrowings

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Loan - Niche Dairy Pty Ltd	-	906

Refer to note 26 for further information on financial instruments.

The Niche Dairy Pty Ltd loan was reclassified as a current liability during the year ended 30 June 2021 - refer Note 19.

Note 22. Non-current liabilities - lease liabilities

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Lease liability	103	544

Refer to note 26 for further information on financial instruments.

Note 23. Equity - issued capital

	Consolidated			
	30 June 2021 Shares	30 June 2020 Shares	30 June 2021 $'000	30 June 2020 $'000
Ordinary shares - fully paid	230,649,436	244,086,936	91,726	91,726

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	194,503,140		74,900
Issue of shares to Chemist Warehouse	23 January 2020	3,000,000	$0.40	1,200
Issue of shares to consultant for professional services	23 January 2020	1,103,208	$0.40	441
Issue of shares to settle Termination fee	7 April 2020	17,750,302	$0.64	11,360
Share placement	5 May 2020	27,730,286	$0.15	4,160
Capital raising costs		-	-	(335)
Balance	30 June 2020	244,086,936		91,726
Cancellation of loan funded shares	4 February 2021	(13,437,500)	$0.00	-
Balance	30 June 2021	230,649,436		91,726

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 23. Equity - issued capital (continued)

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce any debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Note 24. Equity - Reserves

	Consolidated	
	30 June 2021 $'000	**30 June 2020 $'000**
Share-based payments reserve	2,345	12,233
Convertible loan reserve	167	-
	2,512	12,233

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Convertible loan reserve
The reserve is used to recognise the value of the equity component of compound financial instruments, including convertible loans.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Convertible loan reserve $'000	Share based payments reserve $'000
Balance at 1 July 2019	-	12,233
Balance at 30 June 2020	-	12,233
Share based payments	-	2,345
Expiry of employee Loan Share Plan shares	-	(12,233)
Reserve relating to new compound financial instruments	167	-
Balance at 30 June 2021	167	2,345

Note 25. Equity - accumulated losses

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Accumulated losses at the beginning of the financial year	(81,755)	(35,489)
Loss after income tax expense for the year	(24,688)	(46,266)
Transfer from Share based payments reserve upon expiry of employee Loan Share Plan shares	12,233	-
Adjustment to equity arising from change in Little Innoscents non-controlling interest*	(277)	-
	(94,487)	(81,755)

* In February 2021 the Company acquired the remaining 20% of Little Innoscents Pty Ltd (Little Innoscents) it did not already own for cash consideration with a fair value of $200,000, thereby taking its ownership of Little Innoscents to 100% and reducing the proportion of Little Innoscents' equity held by non-controlling interests from a deficit of $77,000 to nil.

In accordance with the requirements of paragraph B96 of AASB 10 *Consolidated Financial Statements*, the Company was required to recognise directly in equity the $277,000 difference between the amount by which the non-controlling interests in Little Innoscents was adjusted and the fair value of the consideration paid by the Company for that non-controlling interest. Therefore, the amount of that $277,000 difference was recorded in the equity account Accumulated losses.

Note 26. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations, however these are not currently at a level that creates a material risk for the consolidated entity.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity will monitor the level of its business activities and transactions denominated in foreign currency and will implement appropriate risk management policies procedures as required.

Price risk
The consolidated entity does not currently face material price risk as it does not trade in products, nor hold investments, which are expected to be exposed to material price fluctuations.

Interest rate risk
As at reporting date the Consolidated Entity did not have a material interest rate risk arising from borrowings. The cash holding of the Consolidated Entity is highly liquid and short-term in nature and has no material fair value risk to changes in interest rates.

Note 26. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

As at 30 June 2021 the consolidated entity reviewed trade receivables and concluded that no allowance for expected credit losses was required to be recognised at that date as:
- the accounts receivable balance comprised a small number of quality customers with excellent credit histories; and
- no material credit losses were expected to arise.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required, or expected, to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 30 June 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	805	-	-	-	805
Accruals	-	147	-	-	-	147
Other payables	-	324	-	-	-	324
Interest-bearing - fixed rate						
Convertible loans*	4.80%	9,175	-	-	-	9,175
Lease liability Little Innoscents Warehouse	5.50%	30	32	71	-	133
Total non-derivatives		10,481	32	71	-	10,584

* - As at the date of this report, approximately $7.05m of these loans had been converted to Company shares and listed options after 30 June 2021.

Note 26. Financial instruments (continued)

Consolidated - 30 June 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	9,864	-	-	-	9,864
Accruals	-	375	-	-	-	375
Other payables	-	269	-	-	-	269
Other loans	-	4,121	-	-	-	4,121
Interest-bearing - variable						
Loan - Niche Dairy Pty Ltd	0.10%	-	-	-	415	415
Interest-bearing - fixed rate						
Loan - Niche Dairy Pty Ltd	15.00%	-	-	-	491	491
Lease liability in Wattle Health office	5.50%	84	14	-	-	98
Lease liability Little Innoscents Warehouse	5.50%	27	30	103	-	160
Lease liability CBDG Office	5.25%	106	115	257	-	478
Lease liability CBDG Photocopier	4.00%	7	8	18	-	33
Total non-derivatives		14,853	167	378	906	16,304

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Short-term employee benefits	570,635	1,502,453
Post-employment benefits	23,118	71,597
Long-term benefits	8,846	3,151
Termination benefits	-	185,728
	602,599	1,762,929

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the Company:

	Consolidated	
	30 June 2021 $	30 June 2020 $
Audit services - William Buck		
Audit or review of the financial statements	77,000	71,500
Other services - William Buck		
Other assurance services	5,500	20,700
	82,500	92,200

Note 29. Contingent liabilities

Chemist Warehouse share issue agreement

As part of the supplier agreement with Chemist Warehouse (CW), the Company is required to issue equity on the following specific milestones:

- 5,000,000 fully paid ordinary shares on CW ranging specified products of the Company's ultra-premium certified organic A2 protein based infant formula range across the CW retail network; and
- 10,869,792 fully paid ordinary shares on CW ranging further specified products of the Company's ultra-premium certified organic A2 protein based infant formula range across the CW retail network.

As at 30 June 2021 those milestones have not been met.

Corio Bay Dairy Group Pty Ltd liquidation

The Company has decided to pursue action, in accordance with its rights as secured creditor of Corio Bay Dairy Group Pty Ltd (In Liquidation), to recover approximately $3.7 million identified as preferential creditor payments. It is possible that legal costs may be incurred by the Company to resolve this matter. At the date of this report the Administrator is in in negotiation with the relevant parties to reach a settlement.

Note 30. Commitments

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Chemist Warehouse marketing support		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,200	1,200
One to five years	3,300	4,500
	4,500	5,700

Chemist Warehouse marketing support commitments arise from the Company's 10-year supply agreement with Chemist Warehouse for its full certified organic nutritional dairy range, including its premium range of Uganic infant formula and the Little Innoscents organic skin care range. Pursuant to the supply agreement, the Company will spend approximately $A1.2 million annually in marketing support, to build brand awareness, sales and brand loyalty, over the first five years of the agreement's term.

Note 31. Related party transactions

Parent entity
Wellnex Life Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2021 $'000	30 June 2020 $'000
Loss after income tax	(11,645)	(59,894)
Total comprehensive loss	(11,645)	(59,894)

Statement of financial position

	Parent	
	30 June 2021 $'000	30 June 2020 $'000
Total current assets	9,335	1,864
Total assets	11,445	17,189
Total current liabilities	10,345	6,051
Total liabilities	10,366	6,978
Equity		
Issued capital	91,726	91,726
Share-based payments reserve	2,345	12,233
Convertible loan reserve	167	-
Accumulated losses	(93,159)	(93,748)
Total equity	1,079	10,211

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020

Note 32. Parent entity information (continued)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Interests in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

			Parent		Non-controlling interest	
Name	**Principal place of business / Country of incorporation**	**Principal activities**	**Ownership interest 30 June 2021 %**	**Ownership interest 30 June 2020 %**	**Ownership interest 30 June 2021 %**	**Ownership interest 30 June 2020 %**
Little Innoscents Pty Ltd	Australia	Provision of organic baby skincare, aromatherapy essential oils and domestic cleaning products	100.00%	80.00%	-	20.00%
Corio Bay Dairy Group Pty Ltd	Australia	Design, construction and operation of a dedicated organic milk spray drying facility	-	45.00%	-	55.00%
Shanghai Wattle Health Trading Company Limited (disposed of 24 May 2021)	China	Facilitate marketing and selling of Consolidated Entity's products into China	-	100.00%	-	-
Wattle Health Australia Investments Pty Ltd	Australia	Investment	100.00%	100.00%	-	-

In addition to the above entities, the Company has non-controlling interests in the following companies:

- Blend and Pack Pty Ltd (5% holding)
- The Remarkable Milk Company Pty Ltd (5% holding)

Note 33. Interests in controlled entities (continued)

Summarised financial information
Summarised financial information of subsidiaries with non-controlling interests that are or were material to the consolidated entity are set out below:

	Corio Bay Dairy Group Pty Ltd	
	30 June 2021	**30 June 2020**
	$'000	**$'000**
Summarised statement of financial position		
Current assets	-	1,381
Non-current assets	-	15,450
Total assets	-	16,831
Current liabilities	-	8,785
Non-current liabilities	-	44,565
Total liabilities	-	53,350
Net liabilities	-	(36,519)
Summarised statement of profit or loss and other comprehensive income		
Income	8,832	-
Expenses	(468)	(35,785)
Profit/(loss) before income tax expense	8,364	(35,785)
Income tax expense	-	-
Profit/(loss) after income tax expense	8,364	(35,785)
Other comprehensive income	-	-
Total comprehensive loss	8,364	(35,785)
Statement of cash flows		
Net cash from/(used in) operating activities	112	(2,398)
Net cash used in investing activities	(83)	(24,171)
Net cash from/(used in) financing activities	(40)	26,321
Net decrease in cash and cash equivalents	(11)	(248)
Other financial information		
Profit/(loss) attributable to non-controlling interests	4,600	(19,026)
Accumulated non-controlling interests at the end of reporting period	-	(19,337)

Note 34. Events after the reporting period

1 July 2021 – Wellnex Life completed the acquisition of established brand and distribution company, Brand Solutions Australia via the issue of 13,331,667 fully paid ordinary shares and the payment of $2.75 million cash. The total consideration of the acquisition is approximately $4.75 million. With regards to the fair value of assets and liabilities acquired the majority of the value is expected to be realised in the value of the brand names by the Group. Work is ongoing to determine the calculation of these fair values as at the date of this report.

5 July 2021 – The Company completed a Rights Issue raising $2.17 million through the issue of 14,515,931 fully paid ordinary shares at $0.15.

9 July 2021 – The Company issued 41,808,781 fully paid ordinary shares to convert shareholder loans of $5.6 million and convertible loans of $1 million.

9 July 2021 – The Company Issued 13.5 million unlisted options to Reach Corporate at a conversion price of $0.15 expiring 24 months from issue.

9 July 2021 – The Company issued 47,525,221 listed options at a conversion price of $0.20 expiring 10 July 2023. The Company was issued to the following parties:

- Reach Corporate 7,500,000
- Shareholder and Convertible Loan investors – 20,904,390
- Institutional Placement Investors (April 2020) – 19,120,831

13 July 2021 - Executive Director George Karafotias was appointed to the role of Chief Executive Officer.

13 July 2021 – Zack Bozinovski was appointed as Executive Director and Chief Strategy Officer of Wellnex Life.

14 July 2021 – The Company received confirmation from the ASX that the Company's securities would achieve re-quotation to official quotation.

20 July 2021 – The Company converted $200,000 of the Convertible Loans via the issue of 1,333,333 fully paid ordinary shares and 666,667 listed options at $0.20 expiring 10 July 2023.

18 August 2021 – The Company secured a licensing agreement with Mark Wahlberg's Performance Inspired brand on an exclusive basis for Australia and New Zealand.

20 August 2021 – The Company converted $250,000 of the Convertible Loans via the issue of 1,666,666 fully paid ordinary shares and 833,333 listed options at $0.20 expiring 10 July 2023.

10 September 2021 – The Company redeemed $2,000,000 of the Convertible Loans through existing cash reserves.

No other matter or circumstance has arisen since 30 June 2021 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 35. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Loss after income tax expense for the year	(20,119)	(65,443)
Adjustments for:		
Depreciation and amortisation	83	226
Fair value movement on investments	1,100	5,027
Impairment of property, plant and equipment	-	27,842
Impairment of goodwill	-	404
Impairment of intangibles	-	300
Share-based payments	2,345	13,001
Foreign exchange differences	-	(11)
Write off of ODFA exclusivity and management fee	-	4,200
Write off of prepayments for supply of raw materials and ODFA prepayment	-	4,684
Impairment of receivables	602	-
Write off non-refundable deposit on proposed Blend & Pack acquisition	-	1,481
Bad debts written off	33	264
Loss on disposal of Corio Bay Dairy Group	8,346	-
Other asset write offs	-	84
Non-cash finance charges	1,187	-
Reclassification of payments relating to investment projects from operating to investing	791	-
Reclassification of fund raising cost payments from operating to finance	1,509	246
Change in operating assets and liabilities:		
Decrease in trade and other receivables	329	68
Decrease/(increase) in finished goods inventory	248	(339)
Decrease/(increase) in prepayments	335	(325)
(Increase)/Decrease in deposits	(20)	314
Increase/(decrease) in trade and other payables	(1,252)	501
Increase/(decrease) in provisions	107	(94)
Net cash used in operating activities	(4,376)	(7,570)

Note 36. Loss per share

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Loss after income tax	(20,119)	(65,443)
Non-controlling interest	(4,569)	19,177
Loss after income tax attributable to the owners of Wellnex Life Limited	(24,688)	(46,266)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	239,343,852	204,602,406
Weighted average number of ordinary shares used in calculating diluted earnings per share	239,343,852	204,602,406

	Cents	Cents
Basic loss per share	(10.31)	(22.61)
Diluted loss per share	(10.31)	(22.61)

Note 36. 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.

Note 37. Share-based payments

Options

The consolidated entity may issue options to service providers as consideration for services provided to the consolidated entity.

On 9 July 2021 the Company issued options to Reach Corporate as consideration for the provision of corporate advisory services provided to the Company. The issued options, with a total fair value of approximately $1,512,000, were:

- 13,500,000 unquoted "Class A" options, with an exercise price of $0.15 (15 cents) and expiry date of 30 September 2023. The fair value of each option was 7.861 cents, and the approximate total value of this share based payment was $1,061,000; and
- 7,500,000 quoted "Class "B" options, with an exercise price of $0.20 (20 cents) and expiry date of 10 July 2023. The fair value of each option was 6.007 cents, and the approximate total value of this share based payment was $451,000.

On 9 July 2021 the Company also issued options to participants in a previous share placement. These options were granted as a condition of the conversion of the shareholder loan, as per the relevant shareholder loan agreement. The options issued were 13,865,143 quoted "Class "B" options, with an exercise price of $0.20 (20 cents) and expiry date of 10 July 2023. The fair value of each option was 6.007 cents, and the approximate total value of this share based payment was $833,000.

Although the abovementioned Class A and Class B options were issued in July 2021, for accounting purposes their grant date was deemed to be 21 May 2021, being the date of their approval by shareholders at the Company's Annual General Meeting and the point at which they were effectively fully vested. The relevant corporate advisory services for which options were to be issued had been provided prior to 30 June 2021 and the relevant shareholder agreement under which placement options were to be issued, and the relevant share placement, were made prior to 30 June 2021. Accordingly, the share based payments relating to these options were recognised as expenses in the year ended 30 June 2021. Details of the inputs to the fair value calculations of these options are set out below.

On 18 June 2018, the consolidated entity issued 4,687,500 unlisted options in accordance with a loan facility agreement entered into with a private financier (Prospere Advisor Limited). These options were fully expensed upon issue, with a share based payments expense of $2,213,672 recognised in the financial year ended 30 June 2018. These options expired unexercised during the year ended 30 June 2020.

Set out below are summaries of options deemed, for accounting purposes, as being granted during or prior to the year ended 30 June 2021, and their deemed balances at 30 June 2021:

30 June 2021

Deemed Grant date*	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/05/2021	30/09/2023	$0.15	-	13,500,000	-	-	13,500,000
21/05/2021	10/07/2023	$0.20	-	21,365,143	-	-	21,365,143
			-	34,865,143	-	-	34,865,143
Weighted average exercise price			$0.00	$0.18	$0.00	$0.00	$0.18

* Options were actually issued 9 July 2021, but for accounting purposes have a deemed grant date of 21 May 2021

Note 37. Share-based payments (continued)

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
18/06/2018	17/06/2020	$1.60	4,687,500	-	-	(4,687,500)	-
			4,687,500	-	-	(4,687,500)	-
Weighted average exercise price			$1.60	$0.00	$0.00	$1.60	$0.00

For the options deemed, for accounting purposes, to have been granted during the year ended 30 June 2021, the Black-Scholes valuation model inputs used to determine the fair values at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/07/2021	10/07/2023	$0.15	$0.20	90.00%	-	0.14%	$0.07861
09/07/2021	30/09/2023	$0.15	$0.15	90.00%	-	0.14%	$0.06007

Wellnex Life Limited
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

George Karafotias
Executive Director

30 September 2021
Melbourne

William Buck

Wellnex Life Limited (Formerly known as Wattle Health Australia Limited)

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Wellnex Life Limited (formerly known as Wattle Health Australia Limited). (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been provided.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

DECONSOLIDATION OF THE CORIO BAY DAIRY GROUP ("CBDG")	
Area of focus **Refer also to notes 2, 3, 5, 11 and 15**	**How our audit addressed it**
On the 21 August 2020, the CBDG was placed into voluntary administration, for which an offer of sale was received by the CBDG administrator for the purchase of the assets. As a result of these activities, the company no longer had control over the CBDG and was required to derecognise all assets and liabilities of the CBDG, recognise any non-controlling interest in the CBDG and recognise a resulting loss on sale. The company has received an initial payment of $11 million from the proceeds of the sale, with the remainder due on the conclusion of the administration process. The deconsolidation of the CBDG was a key area of focus for our audit.	Our audit procedures included: — Reviewing the third party support of the binding offer to determine the value of the consideration to be received was accurate; — Reviewing the calculation of the resulting loss attributable on sale of the CBDG; and — Reviewing the entries derecognising the assets and liabilities of the CBDG at date control was lost. We have also assessed the adequacy of disclosures in the notes to the financial report.

CONVERTIBLE LOANS	
Area of focus **Refer also to notes 2, 3, and 19**	**How our audit addressed it**
The Group issued convertible loans to a range of investors during the current financial year. Accounting for these transactions is complex, as the Group's accounting policy requires the separation at initial recognition of the debt and equity component for a compound instrument, where material. An equity component is normally recognised when the loans convert to a fixed number of shares. Both the equity and financial liability components of the instrument are reflected in the financial report. This matter was a key area of focus for our audit.	Our audit procedures included: — Understanding the terms of the convertible loan agreements, including an assessment of classification between current and non-current for the underlying host contract and a determination that the instrument meets the definition of a compound instrument under accounting standards; — Verifying the assumptions applied to determine the value of the equity component are appropriate; and — Verifying that the finance charge and accrued interest recorded for the year ended 30 June 2021 were appropriately recognised. We have also assessed the adequacy of disclosures in relation to the convertible loans in the notes to the financial report.

<table>
<tr><th colspan="2">GOING CONCERN</th></tr>
<tr><th>Area of focus
Refer also to note 2</th><th>How our audit addressed it</th></tr>
<tr><td>As disclosed in Note 2, the group made a loss after tax of $20.1 million and the net cash used in operating activities was $4.4 million. The Group also had a working capital deficiency of $0.7 million.

Notwithstanding these results, the accounts have been prepared on the assumption that the company is a going concern for the following reasons:
— The operating loss result was due mainly to the losses arising from the operations and eventual liquidation of CBDG and the deconsolidation of that company from the consolidated entity;
— The company has completed a share placement of $2.17 million following the end of financial year; and
— The company has converted approximately $7.05 million of its short term loan liabilities to equity post year end.

This matter was a key area of focus for our audit.</td><td>Our audit procedures included:
— Evaluation of the directors' assessment of the group's ability to continue as a going concern;
— Reviewing cash flow forecasts and reviewing the directors the directors' assumptions, including future sales; and
— Verification to source documentation of cash received in respect of the rights issue and vouching of documentation to verify that the conversion of short term loans into shares had occurred.

We have also assessed the adequacy of disclosures in relation to going concern in the notes to the financial report.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Wellnex Life Limited (formerly known as Wattle Health Australia Limited), for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

A. A. Finnis
Director

Melbourne, 30 September 2021

The shareholder information set out below was applicable as at 16 September 2021.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: https://www.wellnexlife.com.au/

Distribution of equity securities
Analysis of number of equity security holders by size of holding:

	Ordinary shares		Class A Unquoted options*	Class A Unquoted options	Class B Quoted options**	Class B Quoted options
	Number of holders	% of total shares issued	Number of holders	% of total options issued	Number of holders	% of total options issued
1 to 1,000	1,272	0.24	-	-	1	-
1,001 to 5,000	1,787	1.65	-	-	-	-
5,001 to 10,000	861	2.21	-	-	1	0.01
10,001 to 100,000	1,561	16.92	-	-	58	6.44
100,001 and over	339	78.98	1	100.00	45	93.55
	5,820	100.00	1	100.00	105	100.00
Holding less than a marketable parcel	2,777	-	-	-	-	-

The total number of fully paid ordinary shares on issue is 303,305,814.

* Class A Unquoted Options (ASX: WNXAA) Ex @ $0.15 Expiring 30-SEP-2023. The total number of Class A Unquoted Options on issue is 13,500,000. CLASSIQUE CAPITAL PTY LTD holds all of the Class A unquoted options with 13,500,000 units.

** Class B Quoted Options (ASX: WNXO) Ex @ $0.20 Expiring 10-JUL-2023. The total number of Class B Quoted Options on issue 49,025,221.

In addition to the above securities, the Company has following unquoted equity security holders by size of holding:

Distribution of Consideration Options from BSA transaction (ASX: WNXAE)	Number of holders - Unquoted Consideration Options	% of total Consideration Options held
1 - 1,000	2	100
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 - and over	-	-
	2	100

The total number of Consideration Options from the BSA transaction on issue is 3. Siebelco Pty Ltd has a 99% beneficial interest in the 3 issued Consideration Options. For more details, refer to the prospectus dated 13 May 2021 and Notice of Annual General Meeting released to the ASX on 20 April 2021.

Wellnex Life Limited
Shareholder information
30 June 2021

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
Ordinary shares	**Number held**	**% of total shares issued**
GGP INVESTMENTS PTY LTD (GGP SUPERANNUATION FUND A/C)	32,732,760	10.79
WATTLE TRADING PTY LTD	22,027,890	7.26
MONEX BOOM SECURITIES (HK) LTD (CLIENTS ACCOUNT)	17,750,302	5.85
MR XUAN KHOA PHAM	12,300,000	4.06
ZLJ PTY LTD (THE BOZINOVSKI FAMILY A/C)	11,998,500	3.96
JAMATA PTY LTD + LLEA LK PTY LTD (LMB WATTLE TRADING UNIT A/C)	11,986,844	3.95
BRILLIANT RIVER LIMITED	7,480,801	2.47
MR ANDREW GRANT	6,979,767	2.30
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,909,311	1.95
CW RETAIL HOLDINGS PTY LTD (CW RETAILS HOLDINGS A/C)	3,000,000	0.99
MR DAVID JAMES STEWART	2,566,667	0.85
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	2,510,714	0.83
EUROFIT S A LIMITED	2,500,000	0.82
GLENEAGLE ASSET MANAGEMENT LIMITED (GLENEAGLE INVESTMENTFUND A/C)	2,267,736	0.75
ELZED HOLDINGS PTY LTD	1,963,540	0.65
CITICORP NOMINEES PTY LIMITED	1,895,957	0.63
ACEE GROUP PTY LTD	1,872,371	0.62
SKANDALELLIS PTY LTD (SKANDA SUPER FUND A/C)	1,676,667	0.55
CS FOURTH NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 11 A/C)	1,460,770	0.48
MR STEVEN IVAK	1,432,200	0.47
	152,312,797	50.23

	Options over ordinary shares	
Class B Quoted Options	**Number held**	**% of total options issued**
CLASSIQUE CAPITAL PTY LTD	7,500,000	15.30
GGP INVESTMENTS PTY LTD (GGP SUPERANNUATION FUND A/C)	6,720,000	13.71
EUROFIT S A LIMITED	5,567,622	11.36
MS THI LY HUONG PHAM	4,500,000	9.18
ANTIBELLA PTY LTD (AJ & MP PEGUM FAMILY A/C)	2,400,000	4.90
FUTURITY TRADING PTY LTD	2,228,334	4.55
AYMVESS PTY LTD (AYMVESS SUPER FUND ACCOUNT)	2,000,000	4.08
JLO ENTERPRISES PTY LTD (CALLANAN FAMILY A/C)	1,805,000	3.68
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	1,666,667	3.40
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,561,963	3.19
DR XUAN THINH DUONG	1,479,641	3.02
MR DAVID JAMES STEWART	933,334	1.90
SPINITE PTY LTD	666,667	1.36
ERYL HOLDINGS PTY LTD	433,333	0.88
MR STEVEN LIONEL TATE + MRS SHARLENE NORMA TATE	416,750	0.85
MR CHRIS TSAKLAS + MRS ROCHELLE ANN TSAKLAS	400,000	0.82
MR ARTHUR KARAGASLIS	372,500	0.76
MR RICHARD THOMAS MARTIN	350,000	0.71
GILLARD SUPERANNUATION PTY LTD (THE GILLARD SUPER FUND A/C)	333,334	0.68
SKANDALELLIS PTY LTD (SKANDA SUPER FUND A/C)	333,334	0.68
	41,668,479	85.01

Substantial holders
Substantial holders in the Company, as disclosed in substantial holding notices given to the Company under the Corporations Act, are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
Lazarus Karasavvidis and Martin Glenister*	34,014,734	11.21
Ian Ollifent**	32,732,760	10.79
MONEX BOOM SECURITIES (HK) LTD	17,750,302	5.85

* 34,014,734 of shares are held by entities that are jointly controlled by Mr Karasavvidis and Mr Glenister
** Shares being held by Mr Ollifent under GGP INVESTMENTS PTY LTD (GGP SUPERANNUATION FUND A/C)

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options
Class A Unquoted Options, Class B Quoted Options and Consideration Options do not carry any voting rights until they convert into fully paid ordinary shares.

Other information
There is no current on-market buy-back of the Company's securities.

The Company's securities are not quoted on any exchange other than the ASX

The Company's Company Secretary is Mr Kobe Li.