# Wellnex Life Limited

**ABN 77 150 759 363**

# Annual Report - 30 June 2023

**Wellnex Life Limited**
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| | |
|---|---|
| Directors | Eric Jiang (Non-Executive Director)<br>Kobe Li (Non-Executive Director)<br>George Karafotias (Executive Director)<br>Zack Bozinovski (Executive Director) |
| Company secretary | Kobe Li |
| Registered office<br>and Principal place of business | Building 2, Level 3,<br>Suite 69, 574 Plummer St<br>Port Melbourne VIC 3207<br>Phone: +61 3 8399 9419 |
| Share register | Computershare Investor Registry Services<br>Yarra Falls<br>452 Johnston Street<br>Abbotsford, Victoria, 3067<br>Phone: 1300 787 272 (within Australia)<br>Phone: +61 3 9415 5000 (overseas callers) |
| Auditor | William Buck<br>Level 20, 181 William Street<br>Melbourne VIC 3000 |
| Solicitors | Holding Redlich<br>Level 8, 555 Bourke Street<br>Melbourne VIC 3000 |
| Stock exchange listing | Wellnex Life Limited securities are listed on the Australian Securities Exchange (ASX code: WNX and WNXO) |
| Website | https://www.wellnexlife.com.au |

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 (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 2023.

**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)
Zack Bozinovski (Executive Director)

**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 pharmaceutical market; and
- licensing our IP to major domestic and international pharmaceutical companies

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

**Review of operations**
**Financial performance**

Revenue for the period was $27.9 million an increase of 50% on the prior corresponding period 30 June 2022: $18.6 million. This builds on the 55% increase in revenue in financial year 2022 (FY22) compared to financial year 2021(FY21) and is a reflection of the continued growth of our brands and IP licensing.

Loss for the full-year of $13.8 million was up 85% on the prior corresponding period 30 June 2022: $7.5 million, primarily due to non-cash expenses of $5.6 million for the period compared to the prior corresponding period (PCP) $1.6 million. The EBITDA loss for the period was $6.8 million compared to $6.5 million for the PCP, which was impacted by the following:

- Reduction in gross margins from 24% in FY22 to 17% in FY23 due to stock write offs and inventory costs associated with product development in the launch of new brands and products. Gross margins for FY24 are expected to be in the range of 25% to 28%, driven by growing sales of our brands and increased margins from IP licensing arrangements with Haleon.
- Employee expenses were up 27% for the period compared to PCP, which was a deliberate strategy to fully resources our sales, marketing and regulatory team, to accelerate the roll out and growth of our brands. The Company will keep employee expenses at the same level for FY24 even though we will see continued growth of our revenue and the integration of the proposed acquisition of Pain Away.
- Selling, marketing and distribution expense for the period increased by 166% compared to PCP to $4.4 million, primarily due to one off marketing costs associated with new brand launches for the period and elevated logistic costs. Marketing costs for FY24 will be in line with FY23 but as a percentage of revenue will be reduced by circa 35%, further the Company has signed a new agreement with our logistic partner that will see a circa 25% reduction in logistic costs.
- One-off cash loss for corporate activity including the proposed acquisition of Pain Away, acquisition of Mr Bright and various funding activities of circa $1 million.

Wellnex during FY23 strategically grew its presence in the health and pharmaceutical market with the launch of various of brands and products that has resulted in continued growth of the business with 6 innovative brands in the market that are available in all major grocery and pharmacy channels domestically. Wellnex also extended its agreement with Haleon that has resulted in both product and global expansion. The positive results in FY23 will be seen in FY24 with continued revenue and margin growth, decrease in expenses as a percentage of revenue, and a pathway to profitability in FY24.

The loss from normal business operations excluding one-off and non-cash expenses was circa $5.0 million, with the main growth drivers for this financial year include:

- Launch of 4 new products for Wakey Wakey complimenting the existing product offering with all new products available in all major grocery and pharmacy retailers.
- Launch of new innovative sleep aid brand Nighty Night, with initial sales very encouraging across all major grocery and pharmacy retailers.
- Continued growth of over-the-counter medicines under the Pharmacy Own brand distributed by CH2. Wellnex continues to see growth in distribution of the product through pharmacy channels throughout Australia.
- The Iron Company continues to gain traction in the iron supplement market with its unique propositions, with the company developing further product expansion in FY24.
- Mr Bright will further expand its presence, primarily in domestic retailers to take advantage of its strong offering as an all-natural teeth whitening brand.
- Continued growth of our IP licensing that has resulted in substantial revenue growth in FY23, that will continue in FY24 with the agreement with Haleon to expand the arrangement globally and with additional products.

**Financial Position**

The total assets of the entity as at 30 June 2023 was $15.0 million (30 June 2022: $19.6 million), a decrease of 23%. The net assets of the entity was $0.6 million (30 June 2022: $4.4 million).

Wellnex subsequent to close of FY23 has settled through the administrator a preferential creditor payment at Corio Bay Dairy Group (CBDG), with still circa $2.8 million being pursued. The total recovered monies of $600,000 will be received by the company on the completion of settlement of all claims expected to conclude in the first half of FY24.

The Company is also completing the acquisition of the proposed acquisition of Pain Away anticipated to complete in December and on completion will have a strong balance sheet to execute its business objectives of continuing to grow its brands, products, revenue and margins in the fast-growing health and pharmaceutical market.

**Growth of Wellnex Life Limited**

FY23 has been a period of substantial growth for Wellnex with continued expansion of our brands, products and revenue. Revenue for the group for consecutive financial years has grown circa 50% and with the continued growth of our offerings we anticipate FY24 to be another positive period. Wellnex strategically invested during the period to allow the company to take advantage of the opportunities in the market with this strategy to realise significant gains in FY24, with increased margins and a substantial reduction in expenses compared to revenue putting Wellnex in a profitable position.

Additionally, with the proposed acquisition of Pain Away to be completed in December the Company will accelerate its position as a major participant in the health and pharmaceutical market.

**<u>Brands</u>**
Wellnex Life during the financial year continued to grow its brand and product portfolio with new brand launches and extension of our product offerings. Brand revenue as a percentage of our total revenue continues to grow and this will reflect in an increase in our margins in FY24.

**1. Wakey Wakey**
Wellnex expanded the Wakey Wakey range to now include six product lines, including a Wakey Wakey+ range that will offer consumers the benefits of the current caffeine energy pick up + magnesium and + immunity . Two new flavours Berry and Lemon Lime have also been added to the base range. The product extensions are available nationally in key retailers such as Chemist Warehouse, Coles and Woolworths. The Wakey Wakey brand extensions will continue to drive brand awareness and further increase the already strong sales.

**2. Nighty Night**
On the back of the success of Wakey Wakey energy brand, the Company began development of Nighty Night nine months ago. The now launched Nighty Night brand was developed to take advantage of the growing demand from consumers looking for assistance in achieving a good nights sleep. The retail market has been excited by the innovative launch of Nighty Night, with strong initial sales in across both pharmacy and grocery retailers, including Coles, Woolworths and Chemist Warehouse.

**3. The Iron Company**
Wellnex launched Australia's first slow-release iron gummy under the brand The Iron Company, with the uniqueness of this product has resulted in the brand being ranged in all major pharmaceutical retailers.

The Company anticipates further growth in sales in FY24 as brand awareness continues to increase, with the Company looking at expanding the product offering in FY24.

**4. Pharmacy Own**
Wellnex Life during the period signed an exclusive supply agreement with one of Australia's largest pharmaceutical and medical consumable distributors, CH2, for the launch of Pharmacy Own. Wellnex Life during the period has been developing a strong offer of over the counter (OTC) products that will provide consumers equivalent efficacious products to the major brands found in the Australian market.

Wellnex continues to grow its distribution and product offering for Pharmacy Own that will see sales continue to increase in FY24.

**5. Mr Bright**
Mr Bright, a teeth whitening brand, was purchased by Wellnex in FY23 with distribution channels in the USA and UK and online channels but has poor penetration in the Australian market. Wellnex in FY24 will expand the brand into domestic pharmacy and grocery retailers to take advantage of the growing oral care market.

**6. Wagner Health Liquigesics**
The joint venture brand with Chemist Warehouse continues to go from strength to strength with strong sales in FY23 that are expected to continue to show good growth in FY24. Wellnex with Chemist Warehouse are in the process of expanding the product offering of this brand in FY24 to take advantage of the strong brand presence the brand has developed over a short period of time.

All intellectual property in regard to the products under this brand are the property of Wellnex and used in our other brands and in our IP licensing arrangements.

**7. Medicinal Cannabis**
Wellnex during FY23 entered into a joint venture with leading medicinal cannabis manufacturer, One Life Botanicals, that will allow Wellnex to have access to locally produced and manufactured high quality medicinal cannabis products at a competitive price for the SAS-B market.

Subsequent to this and understanding the unique proposition of the joint venture with One Life Botanicals, Chemist Warehouse entered into a joint venture on a new medicinal cannabis brand that will be available through the extensive retail network of Chemist Warehouse and other pharmacy retailers.

The SAS-B market is estimated to grow to circa $600 million in FY24 and with the strategic relationships secured puts Wellnex in a strong position to take advantage of this large and growing opportunity.

## IP Licensing - Haleon
Wellnex Life in developing innovative and unique products continues to grow its contract manufacturing business, including securing a momentous supply agreement with Haleon for its liquid paracetamol soft gel product initially for the Australian and New Zealand market. The initial success of this arrangement has given Haleon the confidence to further expand this arrangement with two new product lines in conjunction with a global roll out across Europe and the Middle East.

This new agreement with Haleon will significantly grow our revenue in FY24, coupled with increased margins for the new products being included in this arrangement.

## Other matters
Wellnex Life during the period entered into a transformational agreement to acquire leading topical pain relief brand, Pain Away. This will transform the Company in acquiring a brand that has a long and successful history in the market that is available in all major grocery and pharmacy retailers, with further scope to increase sales with expansion of its product offering and distribution channels especially in grocery channels and international channels.

Wellnex anticipates completing the acquisition in December 2023.

**Significant changes in the state of affairs**
On 18 July 2022 the Company announced that it had formalised a joint venture with Onelife Botanicals for the manufacture, distribution and sale of cannabis and hemp-based products. The Joint Venture will allow Wellnex to be one of the first to market with a registered medicinal product under S3 registration and allow it to bring to market products under SAS by the end of CY22.

Wellnex once it obtains an S3 registration will obtain 4% of the fully diluted capital of Onelife Botanicals.

On 9 September 2022 the Company announced that it has entered into a binding Asset Sale Agreement to acquire 100% of the assets of premium teeth whitening business, Mr Bright. The acquisition was via the issue of $1.5 million in shares in Wellnex at a floor price of $0.10 per share or the 5-day VWAP prior to settlement (whichever is higher).

On 13 September 2022 the Company announced the launch of a Share Purchase Plan (SPP) with a target raise of $2 million, with the ability to take overs. The SPP will be at $0.075 per share a discount of 19.7% to the 5-day VWAP at launch of SPP. On 24 October 2022, the SPP was completed and 37,543,584 fully paid ordinary shares were issued raising $2.8 million.

On 7 December 2022, the Company issued the following securities:

- 42,000,000 fully paid ordinary shares at $0.075 per share, on completion of Strategic Placement, raising $3.15 million;
- 15,869,792 fully paid ordinary shares at deemed issue price of $0.064 per share, for settlement of supply agreement; and
- 15,000,000 fully paid ordinary share at deemed issue price of $0.10 per share, on completion of Mr Bright acquisition.

On 19 May 2023, Wellnex proposed to acquire the business and assets of Pain Away, one of Australia's leading topical pain relief brands. In order to fund the purchase price of $22.0m, the Company intends to raise funds by way of equity financing. the equity financing will comprise:

(1) an initial placement of fully paid ordinary shares (Shares) to raise $2.2m (before costs) (Initial Placement);
(2) a non-renounceable pro-rata 1-for-4 entitlement offer to raise up to $5.3m (before costs) (Entitlement Offer); and
(3) a second placement of 400m Shares to raise $20m (before costs) (Second Placement, together with the Entitlement Offer, the Substantive Capital Raising),

The Company has completed the Initial Placement to entities associated with strategic investor and existing shareholder Homart Pharmaceuticals (Initial Placement Subscribers). Prior to the Initial Placement, Homart Pharmaceuticals (via its associated entities) held 11.13% of the Company’s issued share capital, following participation in the Company’s capital raising placement in October 2022.

The funds of $2.2m raised under the Initial Placement have been applied towards payment of the deposit for the Proposed Transaction under the Sale Agreement.

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**
On 18 July 2023 the Company issued 9,313,120 shares at $0.05 (5 cents) as part of the Entitlement Offer, raising $465,656.

On 20 July 2023 the Company issued 27,500,000 unlisted options as free attaching options through the Placement (one for two free attaching options) as being exercisable at $0.10 (10 cents) on or before 20 July 2025.

On 5 October 2023 the Company signed the agreement for the acquisition of Pain Away. The acquisition included payment of $12.8 million plus inventory with a deferred consideration of 2 equal payments of $2.9 million in 12 and 18 months from the completion date. Wellnex as part of the consideration will issue 20 million fully paid ordinary shares escrowed till May 2024. Planned settlement date of the agreement will be December 2023.

On 5 October 2023 the Company announced it is currently in the process of restructuring Convertible notes to extend term a further 12 months till July 2025, with in principle terms agreed with the largest note holder. The restructure of the convertible notes will be subject to shareholder approval at the upcoming Annual General Meeting in November. Pure Asset Management has already agreed to the extension. The proposed new terms are as follows:

- Maturity: July 2025
- Conversion Price: $0.08 per share
- Coupon Rate: 13%
- Early Redemption: Ability to redeem note from March 2024 with a 3-month penalty interest if paid before expiry of note

No other matter or circumstance has arisen since 30 June 2023 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 distribution and revenue from its established brands and products in the domestic health and pharmaceutical markets domestically and expanding to overseas markets.

At the time of the preparation of this report the Company is the process of completing the transformative acquisition of leading topical pain relief brand, Pain Away. Pain Away is an established brand that has been in the market for over 20 years. Pain Away has a long history of growing revenue, high margins and profitability.

The Company will continue to operate a capital light business model, with capital able to be deployed in a manner that will give the best return, ensuring it has the financial capacity to take advantage of the opportunities in the growing health and pharmaceutical market.

**Business risk management**
The Company is committed to the effective management of risk to reduce uncertainty in the Company’s business outcomes and to protect and enhance shareholder value. There are various risks that could have a material impact on the achievement of the Company’s strategic objectives and future prospects.

**Key risks and mitigation activities associated with the Company's objectives are set out below:**

*Risk as a relatively new entrant in the health and pharmaceutical market*

Wellnex is a relatively new entrant in the health and pharmaceutical industry and, as an early stage growth company, Wellnex currently faces challenges in product development, profile / brand building and market penetration for its products and services (in both local and overseas markets).
These risks will in part turn upon the Company's ability to:

(a) continue to build on customer acceptance on current and proposed new products in the health and pharmaceutical segment;
(b) maintain and source high quality manufacturers to produce the current and proposed products;
(c) maintain and expand distribution channels (such as Chemist Warehouse) and continue to develop within Australian domestic and export markets; and
(d) have the required capital to maintain and expand operations including investing in marketing.

The Company aims to reduce this risk by conducting a significant amount of research and development on its products before making the decision to commercialise its products and bring to market.

*Sufficiency of funding*

Wellnex has limited financial resources and will need to raise additional funds from time to time to finance the complete development and commercialisation of new and current product lines and its other longer-term objectives. It is likely that Wellnex in the future may require additional capital (debt or equity) for working capital and, if that occurs by way of an equity issue, there is no guarantee of the issue price at which such additional equity capital is raised and there is potential dilution for existing shareholders.

The Company's ability to raise additional funds and the price at which any funds are raised, will be subject to, among other things, factors beyond the control of Wellnex and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by Wellnex on favourable terms, if at all.

The Company prepares forecasts to ensure it has sufficient funding sources as and when required into the future.

*Manufacturing/production risks*

Wellnex is reliant on third parties to manufacture its current products. The Company will have various contractual rights in the event of non-compliance by contracting party.

However, no assurance can be given that all contracts will be fully performed by all contracting parties or in the case of a breach that the Company will be successful in securing compliance with the terms of each contract by the relevant counterparties to its contracts. There is also no assurance as to the financial strength of the parties to complete their obligations under the various contracts when such financial obligations fall due.

The Company seeks to mitigate its manufacturing and production risks by reviewing the ability its third party manufacturers to ensure the ability to meet the Company’s requirements on an ongoing basis.

*Logistics risk*

Wellnex is reliant on out-sourced logistics. Accordingly, if an adverse event occurs such as a strike, poor logistics technology, increases in the price of energy, changes in transport services and the physical destruction of infrastructure (e.g. roads and railways), Wellnex (or its third party providers) may not be able to efficiently supply and deliver the Company's products. This may have an adverse impact on the Company's financial performance.

The Company seeks to have back up third party providers in the event that its current logistics providers are not available.

**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 |
| Interests in shares: | 1,949,037 fully paid ordinary shares. |
| Interests in rights: | 2,500,000 performance rights |

| | |
|---|---|
| Name: | Zheng (Kobe) Li |
| Title: | Non-Executive Director |
| Qualifications: | LLB / B. Comm / 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): | Broo Limited (ASX: BEE) - resigned 15 March 2023 |
| Interests in shares: | 875,000 fully paid ordinary shares |
| Interests in rights: | 2,500,000 performance rights |

| | |
|---|---|
| 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: | None |
| Former directorships (last 3 years): | Perpetual Resources Limited (ASX:PEC) - resigned 31 December 2021.<br>Broo Limited (ASX: BEE) - resigned 6 February 2023 |
| Interests in shares: | 1,552,346 fully paid ordinary shares |
| Interests in rights: | 5,000,000 performance rights |

| | |
|---|---|
| Name: | Zlatko (Zack) Bozinovski |
| Title: | Executive Director and Chief Strategy Officer |
| Qualifications: | None |
| 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: | 15,000,000 fully paid ordinary shares |
| 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) |
| Interests in rights: | 5,000,000 performance rights |

'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 2023, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Eric Jiang | 15 | 15 |
| Kobe Li | 15 | 15 |
| George Karafotias | 15 | 15 |
| Zack Bozinovski | 15 | 15 |

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

## 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
- long-term incentives

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 Annual General Meeting ('AGM') held on 29 November 2022*
At the AGM held on 29 November 2022, 98.35% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. 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)
- Zack Bozinovski (Executive Director)

| | Short-term benefits | | Post-employment benefits | | Share-based payments | |
|---|---|---|---|---|---|---|
| **30 June 2023** | Cash salary and fees $ | Annual leave $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| *Non-Executive Directors:* | | | | | | |
| Eric Jiang (1) | 92,333 | - | - | - | 20,035 | 112,368 |
| Kobe Li (2) | 103,500 | - | - | - | 20,035 | 123,535 |
| *Executive Directors:* | | | | | | |
| Zlatko Bozinovski | 303,500 | 23,346 | 31,868 | 5,482 | 40,069 | 404,265 |
| George Karafotias | 320,000 | 16,063 | 33,600 | 8,913 | 40,069 | 418,645 |
| | 819,333 | 39,409 | 65,468 | 14,395 | 120,208 | 1,058,813 |

(1) Amount paid includes Directors fees for previous financial years amounting to $32,333.
(2) Mr Li’s remuneration comprised directors fees of $40,000 fees of $50,000 for Company secretarial services and fees of $13,500 for additional secretarial and consulting services outside the scope of normal director and agreed company secretarial work.

| | Short-term benefits | | Post-employment benefits | | Share-based payments | |
|---|---|---|---|---|---|---|
| **30 June 2022** | Cash salary and fees $ | Annual leave $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| *Non-Executive Directors:* | | | | | | |
| Eric Jiang (1) | 85,000 | - | - | - | - | 85,000 |
| Kobe Li (2) | 185,250 | - | - | - | - | 185,250 |
| *Executive Directors:* | | | | | | |
| Zlatko Bozinovski | 303,500 | 14,008 | 29,013 | 4,861 | - | 351,382 |
| George Karafotias (3) | 346,667 | 19,726 | 25,532 | 8,602 | - | 400,527 |
| | 920,417 | 33,734 | 54,545 | 13,463 | - | 1,022,159 |

(1) Amount paid includes Directors fees for previous financial years amounting to $33,000.
(2) Mr Li's remuneration comprised directors fees of $40,000 fees of $50,000 for Company secretarial services and fees of $95,250 for additional secretarial and consulting services outside the scope of normal director and agreed company secretarial work.
(3) This amount includes salary and wages for June 2021 which was paid in July 2021 and not accrued during FY21.

***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 $325,000 plus statutory superannuation. No specific notice period nor specific termination payment provided for. |

| | |
|---|---|
| Name: | Zlatko (Zack) Bozinovski |
| Title: | Executive Director and Chief Strategy Officer |
| Term of agreement: | No fixed term |
| Details: | Annual remuneration of $300,000 plus 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 $60,000 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 2023.

*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 2023.

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 2023.

*Performance rights*
There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2023.

***Additional information***
The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

| | 2023<br>$'000 | 2022<br>$'000 | 2021<br>$'000 | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|---|---|
| Revenue and other income | 27,892 | 18,793 | 1,434 | 1,107 | 1,095 |
| Net loss | (13,846) | (7,449) | (20,119) | (65,443) | (10,341) |

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

| | 2023 | 2022 | 2021* | 2020* | 2019 |
|---|---|---|---|---|---|
| Share price at financial year end ($) | 0.05 | 0.06 | 0.53 | 0.53 | 0.50 |

* 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 | 1,882,371 | - | 66,666 | - | 1,949,037 |
| Kobe Li | 300,000 | - | 400,000 | - | 700,000 |
| George Karafotias | 827,347 | - | 474,999 | - | 1,302,346 |
| Zlatko Bozinovski | 12,663,500 | - | 985,000 | - | 13,648,500 |
| | 15,673,218 | - | 1,926,665 | - | 17,599,883 |

The number of shares held by the Directors varies from the information of Director section. The information of Directors section is shares held at the date of the report, whereas the shareholding displayed above is at 30 June 2023.

*Performance rights*
The number of performance rights 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 | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Performance Rights* | | | | | |
| Kobe Li | - | 2,500,000 | - | - | 2,500,000 |
| Eric Jiang | - | 2,500,000 | - | - | 2,500,000 |
| George Karafotias | - | 5,000,000 | - | - | 5,000,000 |
| Zlatko Bozinovski | - | 5,000,000 | - | - | 5,000,000 |
| | - | 15,000,000 | - | - | 15,000,000 |

### *Terms of performance rights*
The Performance Rights will only vest if specified share price hurdles are met. A summary of the share price hurdles, and the number of Performance Rights attaching to each one, is as follows:

| **Share price hurdle** | **Number of Performance Rights granted to each Director** |
|---|---|
| **Tranche 1**<br>Where, prior to the 12 month anniversary of the issue date of the Performance Rights, the volume weighted average price (**VWAP**) of Wellnex Shares traded on the ASX during any period of 30 consecutive trading days (on which Wellnex Shares have actually traded) is or exceeds $0.25. | George Karafotias: 1,500,000<br>Zack Bozinovski: 1,500,000<br>Eric Jiang: 750,000<br>Kobe Li: 750,000 |
| **Tranche 2**<br>Where, prior to the 24 month anniversary of the issue date of the Performance Rights, the VWAP of Wellnex Shares traded on the ASX during any period of 30 consecutive trading days (on which Wellnex Shares have actually traded) is or exceeds $0.35. | George Karafotias: 1,500,000<br>Zack Bozinovski: 1,500,000<br>Eric Jiang: 750,000<br>Kobe Li: 750,000 |
| **Tranche 3**<br>Where, prior to the 36 month anniversary of the issue date of the Performance Rights, the VWAP of Wellnex Shares traded on the ASX during any period of 30 consecutive trading days (on which Wellnex Shares have actually traded) is or exceeds $0.50. | George Karafotias: 2,000,000<br>Zack Bozinovski: 2,000,000<br>Eric Jiang: 1,000,000<br>Kobe Li: 1,000,000 |

Where Performance Rights issued under Tranches 1 and 2 do not vest as a result of the share price hurdles not being met after their relevant performance periods of 12 months and 24 months respectively, the Performance Rights are eligible to be retested against the same share price hurdles up until the date that is 36 months from their issue date.

***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 | Expiring various dates* | $0.000 | 3 |
| 20 July 2021 | 10 July 2023 | $0.200 | 666,667 |
| 20 August 2021 | 10 July 2023 | $0.200 | 833,333 |
| 22 March 2022 | 20 August 2024 | $0.180 | 2,500,000 |
| 22 March 2022 | 20 August 2024 | $0.200 | 7,500,000 |
| 06 February 2023 | 06 February 2026 | $0.150 | 7,315,776 |
| | | | 32,315,779 |

* 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 under performance rights**
There were no unissued ordinary shares of Wellnex Life Limited under performance rights outstanding at the date of this report.

## 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 2023 and up to the date of this report.

## Shares issued on the exercise of performance rights
There were no ordinary shares of Wellnex Life Limited issued on the exercise of performance rights during the year ended 30 June 2023 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
The Board is responsible for the maintenance of audit independence. Specifically, the Risk Charter ensures the independence of the auditor is maintained by:

- limiting the scope and nature of non-audit services that may be provided; and
- requiring that permitted non-audit services must be pre-approved by the Chairman of the Audit, Risk and Compliance Committee.

During the year William Buck, the Group’s auditor, has performed certain other services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the year by the auditor and in accordance with the advice provided by the Board, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) as they did not involve reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, William Buck, for audit and non-audit services provided during the year are set out in Note 26.

## 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

2 November 2023
Melbourne

# AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF WELLNEX LIFE LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 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, 2 November 2023

Level 20, 181 William Street, Melbourne VIC 3000 +61 3 9824 8555 vic.info@williambuck.com williambuck.com.au

**Wellnex Life Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2023**

| | Note | Consolidated 30 June 2023 $'000 | 30 June 2022 $'000 |
|---|---|---|---|
| **Revenue** | 5 | 27,876 | 18,607 |
| Other income | | 16 | 186 |
| **Expenses** | | | |
| Raw materials and consumables used | | (23,138) | (14,107) |
| Administrative and corporate expenses | | (2,660) | (4,624) |
| Share based payments issued to third parties | 8 | (278) | (628) |
| Employee benefits expense | | (4,205) | (3,304) |
| Selling, marketing and distribution expenses | | (4,434) | (1,666) |
| Depreciation and amortisation expense | 7 | (274) | (147) |
| Impairment of receivables | 6 | (1,037) | (339) |
| Impairment of goodwill | 13,6 | (4,030) | (471) |
| Finance costs | | (1,682) | (956) |
| **Loss before income tax expense** | | (13,846) | (7,449) |
| Income tax expense | 9 | - | - |
| **Loss after income tax expense for the year attributable to the owners of Wellnex Life Limited** | | (13,846) | (7,449) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive loss for the year attributable to the owners of Wellnex Life Limited** | | (13,846) | (7,449) |
| | | **Cents** | **Cents** |
| Basic loss per share | 30 | (3.43) | (2.47) |
| Diluted loss per share | 30 | (3.43) | (2.47) |

*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 2023**

| | Note | Consolidated 30 June 2023 $'000 | Consolidated 30 June 2022 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 322 | 3,181 |
| Trade and other receivables | 10 | 4,598 | 6,171 |
| Inventories | 11 | 3,029 | 4,319 |
| Prepayments and other | 12 | 3,428 | 168 |
| Total current assets | | 11,377 | 13,839 |
| **Non-current assets** | | | |
| Property, plant and equipment | | 48 | 42 |
| Right-of-use assets | | 153 | 269 |
| Intangibles | 13 | 3,462 | 5,459 |
| Total non-current assets | | 3,663 | 5,770 |
| **Total assets** | | 15,040 | 19,609 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 7,111 | 7,086 |
| Borrowings | 15 | 6,788 | 2,377 |
| Lease liabilities | | 110 | 95 |
| Employee benefit provisions | | 287 | 192 |
| Provisions | | - | 55 |
| Total current liabilities | | 14,296 | 9,805 |
| **Non-current liabilities** | | | |
| Borrowings | | - | 5,198 |
| Lease liabilities | | 52 | 188 |
| Employee benefit provisions | | 98 | 59 |
| Total non-current liabilities | | 150 | 5,445 |
| **Total liabilities** | | 14,446 | 15,250 |
| **Net assets** | | 594 | 4,359 |
| **Equity** | | | |
| Issued capital | 16 | 112,424 | 102,620 |
| Reserves | 17 | 3,727 | 3,450 |
| Accumulated losses | | (115,557) | (101,711) |
| **Total equity** | | 594 | 4,359 |

*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 2023**

| Consolidated | Issued capital $'000 | Share-based payment reserve $'000 | Convertible loan reserve $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2021 | 91,726 | 2,345 | 167 | (94,487) | (249) |
| Loss after income tax expense for the year | - | - | - | (7,449) | (7,449) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (7,449) | (7,449) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 16) | 2,006 | - | - | - | 2,006 |
| Share-based payments (note 31) | - | 628 | - | - | 628 |
| Issue of shares as partial consideration for the BSA transaction (note 22) | 2,000 | - | - | - | 2,000 |
| Issue of shares of conversion of shareholder and convertible loans (note 22) | 6,721 | - | - | - | 6,721 |
| Transfers to issued capital on conversion of convertible loans | 167 | - | (167) | - | - |
| Recognition of equity component of convertible note issued during the year | - | - | 702 | - | 702 |
| Derecognition of convertible notes reserve on repayment and re-issue of notes | - | - | (225) | 225 | - |
| Balance at 30 June 2022 | 102,620 | 2,973 | 477 | (101,711) | 4,359 |

| Consolidated | Issued capital $'000 | Share-based payment reserve $'000 | Convertible loan reserve $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2022 | 102,620 | 2,973 | 477 | (101,711) | 4,359 |
| Loss after income tax expense for the year | - | - | - | (13,846) | (13,846) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (13,846) | (13,846) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 16) | 9,804 | - | - | - | 9,804 |
| Share-based payments (note 31) | - | 277 | - | - | 277 |
| Balance at 30 June 2023 | 112,424 | 3,250 | 477 | (115,557) | 594 |

*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 2023**

| | Note | Consolidated 30 June 2023 $'000 | Consolidated 30 June 2022 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 29,500 | 17,880 |
| Payments to suppliers and employees (inclusive of GST) | | (35,529) | (26,332) |
| Interest received | | 16 | 3 |
| Interest and other finance costs paid | | (176) | (221) |
| Government grants | | - | 59 |
| Net cash used in operating activities | 29 | (6,189) | (8,611) |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | | - | (3,816) |
| Transaction costs related to purchase of assets | | (2,200) | (450) |
| Payments for investments | | - | (3) |
| Payments for intellectual property | | - | (42) |
| Proceeds received from CBDG administrator in settlement of CBDG loan | | - | 666 |
| Net cash used in investing activities | | (2,200) | (3,645) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 16 | 8,166 | 2,177 |
| Transaction costs related to issues of equity | | (710) | (171) |
| Proceeds from issue of convertible debt securities | | - | 5,991 |
| Transaction costs related to loans and borrowings | | - | (576) |
| Proceeds from borrowings | | 10,446 | 3,713 |
| Repayment of borrowings | | (12,251) | (3,372) |
| Repayment of lease liabilities | | (121) | (100) |
| Net cash from financing activities | | 5,530 | 7,662 |
| Net decrease in cash and cash equivalents | | (2,859) | (4,594) |
| Cash and cash equivalents at the beginning of the financial year | | 3,181 | 7,775 |
| Cash and cash equivalents at the end of the financial year | | 322 | 3,181 |

*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 is:

Building 2, Level 3, Suite 69,
574 Plummer Street
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 2 November 2023. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis except derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

### New, revised or amending 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.

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, other than as disclosed in the financial statements.

## Note 2. Significant accounting policies (continued)

### Going concern

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 $13,846,000 during the year ended 30 June 2023 (2022: loss of $7,449,000) and the net cash used in operating activities was $6,189,000 (2022: $8,611,000 net outflow).

The cash balance as at 30 June 2023 was $322,000 (30 June 2022: $3,181,000). The deficiency of current assets over current liabilities as at 30 June 2023 was $2,919,000 (30 June 2022: there was a surplus of current liabilities over current assets of $4,034,000). The net asset surplus as at 30 June 2023 was $594,000 (30 June 2022: net asset surplus of $4,359,000).

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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:

- the Company has refocused on its core business strategy of developing, marketing, and distributing health and pharmaceutical products, including the scaling and expansion of its product portfolio;
- the Company has acquired the Mr. Bright business, providing the consolidated entity with a wider and more diverse range of consumer health and pharmaceutical brands and products as well as supporting capabilities, including experienced management, R&D, sales and marketing and supply relationships;
- the Company has signed an agreement for the acquisition of Pain Away. Once acquired Pain Away will provide the consolidated entity with a wider and more diverse range of consumer health and pharmaceutical brands and products. The Company also has firm commitments from investors to satisfy the completion payment of $12.8 million.
- the Company is in the process of re-structuring the convertible notes structure. The restructure will be subject to shareholder approval at the upcoming Annual General Meeting.
- the Company held a significant amount of inventory at the end of the financial year which will provide cashflow in future financial periods once sold to customers; and
- The Group also has the ability to raise additional capital through a proposed capital raise to raise up to $16 million.

### Basis of preparation

These 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.

### 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.

### 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 25.

**Note 2. Significant accounting policies (continued)**

**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 2023 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.

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.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**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:

*Sale of goods*
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

*Rendering of services*
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

*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.

**Note 2. Significant accounting policies (continued)**

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

**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.

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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

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**
Inventory 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.

**Note 2. Significant accounting policies (continued)**

**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**
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:

| | |
|---|---|
| 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.

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.

Right-of-use assets that meet the definition of investment property are measured at fair value where the consolidated entity has adopted a fair value measurement basis for investment property assets.

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.

**Note 2. Significant accounting policies (continued)**

**Intangible assets**
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*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.

*Customer relationships*
Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

*Brands*
Costs in relation to brands are capitalised as an asset. These costs are not subsequently amortised.

**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.

**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.

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.

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.

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.

**Note 2. Significant accounting policies (continued)**

**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, long service leave and accumulating sick 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. Non-accumulating sick leave is expensed to profit or loss when incurred.

*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 are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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)

### 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.

## 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.

*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.

*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.

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

*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.

*Impairment of property, plant and equipment*
The consolidated entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*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 2023.

## Note 4. Operating segments

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 2023 financial year the consolidated entity acquired the assets of Mr. Bright. The business operates in the same business and geographical segment as the rest of the Group, being a provider of high quality Australian made health and pharmaceutical products throughout Australasia. All revenue and assets generated during the financial year were generated in Australia.

All revenues of the consolidated entity are recognised at a point in time for all revenue types.

## Note 5. Revenue

| | Consolidated | |
|---|---|---|
| | **30 June 2023 $'000** | **30 June 2022 $'000** |
| Goods transferred at a point in time | 27,876 | 18,607 |

## Note 6. Expenses - Impairment of assets

| | Consolidated | |
|---|---|---|
| | **30 June 2023 $'000** | **30 June 2022 $'000** |
| Impairment of goodwill | 4,030 | 471 |
| Impairment of inventory | 1,037 | 339 |
| | 5,067 | 810 |

## Note 6. Expenses - Impairment of assets (continued)

Details of significant write offs and impairments shown above are as follows:

- During the financial year, the Company impaired the carrying amount of inventory by $1,037,000.
- During the financial year, a review of the carrying amount of goodwill relating to the Company's investment in Little Innoscents was carried out and a decision to impair the remaining carrying amount was made. The decision to impair the carrying amount was following a strategic review of the brand and an impairment expense of $4,030,000 has been recorded.

## Note 7. Expenses

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| Loss before income tax includes the following specific expenses: | | |
| *Depreciation* | | |
| Plant and equipment | 32 | 41 |
| Land and buildings right-of-use assets | 107 | 78 |
| Total depreciation | 139 | 119 |
| *Amortisation* | | |
| Patents and trademarks | 27 | - |
| Formation costs | 81 | - |
| Customer relations | 27 | 28 |
| Total amortisation | 135 | 28 |
| Total depreciation and amortisation | 274 | 147 |
| *Employee benefits expense excluding superannuation* | | |
| Employee benefits expense excluding superannuation | 3,869 | 2,871 |

## Note 8. Share based payments

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

During the current and previous financial years, 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 2023 $'000 | 30 June 2022 $'000 |
| Advisor options | 278 | 628 |

## Note 9. Income tax benefit

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| *Tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised | 65,405 | 51,559 |
| Potential tax benefit @ 25% | 16,351 | 12,890 |

## Note 9. Income tax benefit (continued)

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 10. Current assets - trade and other receivables

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| Trade receivables | 4,143 | 5,691 |
| Amounts receivable from Corio Bay Group Pty Ltd | 156 | 461 |
| Deposits | 247 | - |
| | 4,546 | 6,152 |
| Other | 52 | 19 |
| | 4,598 | 6,171 |

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 write-down of $946,000 referred to in Note 6 and any payments received during the year. The amount is currently held on trust for the Company by the administrator of CBDG.

*Allowance for expected credit losses*

| | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|---|---|---|---|---|---|---|
| **Consolidated** | **30 June 2023 %** | **30 June 2022 %** | **30 June 2023 $'000** | **30 June 2022 $'000** | **30 June 2023 $'000** | **30 June 2022 $'000** |
| Not overdue | - | - | 3,172 | 4,119 | - | - |
| 30 to 60 days overdue | - | - | 779 | 917 | - | - |
| 60 to 90 days overdue | - | - | 140 | 408 | - | - |
| 90 days overdue | - | - | 52 | 247 | - | - |
| | | | 4,143 | 5,691 | - | - |

## Note 11. Current assets - Inventories

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| Finished goods - at cost | 3,029 | 4,319 |

## Note 12. Current assets - Prepayments and other

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| Prepayments | 954 | 168 |
| Deferred expense - acquisition of Pain Away | 2,200 | - |
| Other current assets | 274 | - |
| | 3,428 | 168 |

## Note 12. Current assets - Prepayments and other (continued)

Prepayments comprise of the initial placement of $2.2 million (before costs) for the acquisition of Pain Away, one of Australia's leading topical pain relief brands.

The Initial Placement was to the entities associated with strategic investor and existing shareholder Homart Pharmaceuticals (Initial Placement Subscribers). Prior to the Initial Placement, Homart Pharmaceuticals (via its associated entities) held 11.13% of the Company's issued share capital, following participation in the Company's capital raising placement in October 2022.

The funds of $2.2m raised under the Initial Placement have been applied towards payment of the deposit for the Proposed Transaction under the Sale Agreement.

## Note 13. Non-current assets - intangibles

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| Goodwill - at cost | 5,004 | 5,004 |
| Less: Impairment | (4,011) | - |
| | 993 | 5,004 |
| | | |
| Patents and trademarks - at cost | 130 | 74 |
| Less: Accumulated amortisation | (41) | (3) |
| | 89 | 71 |
| | | |
| Brands - at cost | 1,636 | 136 |
| | | |
| Customer Relationships - at cost | 276 | 276 |
| Less: Accumulated amortisation | (55) | (28) |
| | 221 | 248 |
| | | |
| Formation costs | 604 | - |
| Less: Accumulated amortisation | (81) | - |
| | 523 | - |
| | | |
| | 3,462 | 5,459 |

**Note 13. Non-current assets - intangibles (continued)**

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| **Consolidated** | Goodwill $'000 | Patents & trademarks $'000 | Brands $'000 | Customer Relationships $'000 | Formation costs $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 July 2021 | 471 | 8 | - | - | - | 479 |
| Additions | - | 66 | - | - | - | 66 |
| Additions through business combinations (note 26) | 5,004 | - | 136 | 276 | - | 5,416 |
| Impairment of assets | (471) | - | - | - | - | (471) |
| Amortisation expense | - | (3) | - | (28) | - | (31) |
| Balance at 30 June 2022 | 5,004 | 71 | 136 | 248 | - | 5,459 |
| Additions | - | 45 | - | - | 604 | 649 |
| Asset acquisition | - | - | 1,500 | - | - | 1,500 |
| Impairment of assets | (4,011) | - | - | - | - | (4,011) |
| Amortisation expense | - | (27) | - | (27) | (81) | (135) |
| Balance at 30 June 2023 | 993 | 89 | 1,636 | 221 | 523 | 3,462 |

During the financial year the Group acquired Mr Bright, a teeth whitening brand with online distribution channels but has poor penetration in the Australian market. Wellnex in FY24 will expand the brand into domestic pharmacy and grocery retailers to take advantage of the growing oral care market.

Furthermore, as part of the annual impairment test performed over the consolidated entity's carrying value of intangible assets the consolidated entity reassessed the composition of its cash generating units ("CGU's"). The consolidated entity's intangible assets were previously allocated to two CGU's being the Brand Solutions Australia ("BSA") CGU and the Little Innocence CGU. Following the impairment of the Little Innocence goodwill in the prior year the consolidated entity has reassessed its cash generated units and note that from 1 July 2022 the consolidated entity's operations were performed by the BSA CGU in its entirety and therefore the consolidated entity operated as a single CGU from this date.

*Goodwill*
Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or when a subsidiary is disclosed as an asset held for sale, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*Intangible Assets acquired in a business combination*
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## Note 13. Non-current assets - intangibles (continued)

Impairment testing for CGUs containing goodwill

Goodwill arose in the business combinations for the acquisition of BSA. 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 single CGU as discussed above.

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.

Based on the results of the impairment testing performed an impairment charge of $4,011,000 was recorded (30 June 2022: $471,000). The impairment charge was calculated based on the assumptions as discussed below.

Value in use and key assumptions

The consolidated entity estimates the value-in-use of the BSA CGU's 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:

- Pre-tax - discount rate – 14.5% (2022: 24.6% pre-tax). The significant decrease in the discount rate was driven by the fact that the business now has two years of trading data, which has reduced the specific risk premium in the calculation
- The consolidated entity has made numerous assumptions about the budgeted revenue to be achieved in 2024, and this has resulted in a budgeted revenue increase compared to the actual revenues in 2023, this contemplates successful launch of new products from existing assets which would increase the Company’s revenues and cash flows by approximately 40% per year (2022:45%).
- Growth projections FY25 to FY28 - revenue increase at average rates of approximately 20% per annum (2022: 5%), based on expected trends.
- Expenses increase at average rates of 5.7% per annum (2022: 2.5%), based on past based on past and expected trends
- Long term growth rate used to extrapolate cash flow projections beyond forecast period - 2.5% per annum (2022: 2.5%)

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.

Sensitivity

Any change in the assumptions will generate an additional impairment charge.

## Note 14. Current liabilities - trade and other payables

| | Consolidated | |
|---|---|---|
| | **30 June 2023 $'000** | **30 June 2022 $'000** |
| Trade Payables | 6,353 | 5,707 |
| Accruals | 265 | 313 |
| Wages and superannuation payable | 108 | 120 |
| ATO payable | 164 | 827 |
| Other payables | 221 | 119 |
| | 7,111 | 7,086 |

## Note 15. Current liabilities - borrowings

| | Consolidated | |
|---|---|---|
| | **30 June 2023 $'000** | **30 June 2022 $'000** |
| Insurance funding | 30 | 36 |
| Trade and debtor financing | 542 | 2,341 |
| Convertible notes payable (including prepaid borrowing costs) | 6,216 | - |
| | 6,788 | 2,377 |

| **Consolidated** | Convertible loans $'000 |
|---|---|
| Balance at 1 July 2022 | 5,198 |
| Accrued interest on convertible notes | 546 |
| Amortisation of host liability | 330 |
| Amortisation of prepaid borrowing costs | 144 |
| Balance at 30 June 2023 | 6,218 |

**Trade and debtor facility**

In July 2021, the Company entered into a secured revolving trade and debtor facility with Scottish Pacific, with the key terms of this facility as follows:

- total value of financing facility: $5,300,000
- term: the facility has transitioned to a rolling facility following the expiry of the initial term in July 2023. As such the full facility has been classified as current in the financial statements.
- amount drawn down as at 30 June 2023: $4,758,000
- interest rate: Bank Bill Swap Bid Rate (BBSY) plus 4%
- this financing facility is secured by general and specific security deeds over all of the Company's assets

**Convertible loans payable**

In the prior year, the Company refinanced its previous, unconverted $2.4 million Loan Note, with the issue of new Convertible Note. The key features of the Convertible Note are as follows:

- amount drawn down as at 30 June 2023: $6,216,000 (before costs);
- the secured note has a term of 24 months from issue;
- the secured note has a coupon rate of 9% per annum;
- conversion price: $0.21 (21 cents) per share, with the noteholder having the right to receive one option for every two shares converted at a strike price of $0.21 (21 cents) with a 24 month term from issue;
- 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 is currently in the process of restructuring its convertible notes structure.

## Note 16. Equity - issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | **30 June 2023 Shares** | **30 June 2022 Shares** | **30 June 2023 $'000** | **30 June 2022 $'000** |
| Ordinary shares - fully paid | 423,719,190 | 303,305,814 | 112,424 | 102,620 |

## Note 16. Equity - issued capital (continued)

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $'000 |
|---|---|---|---|---|
| Balance | 1 July 2021 | 230,649,436 | | 91,726 |
| Issue of shares as partial consideration for the BSA transaction | 1 July 2021 | 13,331,667 | $0.15 | 2,000 |
| Issue of shares as part of a Rights Issue | 5 July 2021 | 8,797,087 | $0.15 | 1,320 |
| Issue of shares as part of a Rights Issue | 7 July 2021 | 5,718,844 | $0.15 | 857 |
| Issue of shares to convert shareholder loans | 9 July 2021 | 35,142,115 | $0.15 | 5,271 |
| Issue of shares on conversion of convertible loans | 9 July 2021 | 6,666,666 | $0.15 | 1,000 |
| Issue of shares on conversion of convertible loans | 20 July 2021 | 1,333,333 | $0.15 | 200 |
| Issue of shares on conversion of convertible loans | 20 August 2021 | 1,666,666 | $0.15 | 250 |
| Transfer from convertible loans reserve | | - | - | 167 |
| Capital raising costs | | - | - | (171) |
| Balance | 30 June 2022 | 303,305,814 | | 102,620 |
| Issue of Share Purchase Plan shares | 24 October 2022 | 37,543,584 | $0.075 | 2,816 |
| Issue of shares for Placement | 7 December 2022 | 42,000,000 | $0.075 | 3,150 |
| Issue of shares for settlement of supply agreement | 7 December 2022 | 15,869,792 | $0.064 | 1,016 |
| Issue of shares for acquisition of Mr Bright | 7 December 2022 | 15,000,000 | $0.10 | 1,500 |
| Issue of shares for acquisition of Painaway | 19 May 2023 | 10,000,000 | - | 2,200 |
| Capital raising costs | | - | - | (878) |
| Balance | 30 June 2023 | 423,719,190 | | 112,424 |

## Note 17. Equity - Reserves

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| Share-based payments reserve | 3,250 | 2,973 |
| Convertible loan reserve | 477 | 477 |
| | 3,727 | 3,450 |

*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.

## Note 17. Equity - Reserves (continued)

*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 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2021 | 167 | 2,345 | 2,512 |
| Share based payments | - | 628 | 628 |
| Transfers to issued capital on conversion of convertible loans | (167) | - | (167) |
| Recognition of equity component of convertible note issued during the year | 702 | - | 702 |
| Derecognition of convertible notes reserve on repayment and re-issue of notes | (225) | - | (225) |
| Balance at 30 June 2022 | 477 | 2,973 | 3,450 |
| Share based payments | - | 277 | 277 |
| Balance at 30 June 2023 | 477 | 3,250 | 3,727 |

## Note 18. 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***

*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 has a trade finance facility which is subject to material interest rate risk arising from borrowings. If the interest rate of on the trade finance facility varied by 5% it would not have a material impact on the consolidated entity. 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.

***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.

**Note 18. Financial instruments (continued)**

The consolidated entity has a credit risk exposure with trade receivables, which as at 30 June 2023 owed the consolidated entity $4,143,000 (2022: $5,691,000. This balance was within its terms of trade and no impairment was made as at 30 June 2023. Management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

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.

***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 2023** | 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 | - | 6,353 | - | - | - | 6,353 |
| Accruals | - | 265 | - | - | - | 265 |
| Other payables | - | 493 | - | - | - | 493 |
| | | | | | | |
| *Interest-bearing - fixed rate* | | | | | | |
| Convertible loans | - | 6,216 | - | - | - | 6,216 |
| Lease liability - head office | - | 110 | 52 | - | - | 162 |
| Trade finance facility | - | 542 | - | - | - | 542 |
| Insurance funding | - | 30 | - | - | - | 30 |
| Total non-derivatives | | 14,009 | 52 | - | - | 14,061 |

| **Consolidated - 30 June 2022** | 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 | - | 5,707 | - | - | - | 5,707 |
| Accruals | - | 313 | - | - | - | 313 |
| Other payables | - | 1,066 | - | - | - | 1,066 |
| | | | | | | |
| *Interest-bearing - fixed rate* | | | | | | |
| Convertible loans | 9.00% | - | 5,198 | - | - | 5,198 |
| Lease liability - head office | - | 95 | 188 | - | - | 283 |
| Trade finance facility | 6.50% | 2,341 | - | - | - | 2,341 |
| Insurance funding | 6.40% | 36 | - | - | - | 36 |
| Total non-derivatives | | 9,558 | 5,386 | - | - | 14,944 |

## Note 18. Financial instruments (continued)

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 19. 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 2023** | **30 June 2022** |
| | **$** | **$** |
| Short-term employee benefits | 858,742 | 954,151 |
| Post-employment benefits | 65,468 | 54,545 |
| Long-term benefits | 14,395 | 13,463 |
| Share-based payments | 120,208 | - |
| | 1,058,813 | 1,022,159 |

## Note 20. 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 2023** | **30 June 2022** |
| | **$** | **$** |
| *Audit services - William Buck* | | |
| Audit or review of the financial statements | 113,000 | 99,000 |
| *Other services - William Buck* | | |
| Other assurance services | 5,000 | 1,500 |
| | 118,000 | 100,500 |

## Note 21. Contingent assets

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 $4.2 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 with one party having agreed to settle their liability for $340,000 and a negotiation with 5 other parties remaining ongoing.

## Note 22. 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:

**Note 22. Contingent liabilities (continued)**

- 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 2023 those milestones have not been met.

**Note 23. Commitments**

| | Consolidated | |
|---|---|---|
| | **30 June 2023 $'000** | **30 June 2022 $'000** |
| *Chemist Warehouse marketing support* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 2,500 | 600 |
| One to five years | 1,400 | 3,900 |
| | 3,900 | 4,500 |

Chemist Warehouse marketing support commitments arise from the Company's 10-year supply agreement with Chemist Warehouse. 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. The liability can be settled in equity by agreement between the parties.

**Note 24. Related party transactions**

*Parent entity*
Wellnex Life Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 27.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 19 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 25. 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 2023 $'000** | **30 June 2022 $'000** |
| Loss after income tax | (9,104) | (5,645) |
| Total comprehensive loss | (9,104) | (5,645) |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | **30 June 2023 $'000** | **30 June 2022 $'000** |
| Total current assets | 4,072 | 3,940 |
| Total assets | 13,032 | 14,037 |
| Total current liabilities | 7,274 | 1,021 |
| Total liabilities | 7,320 | 6,771 |
| Equity | | |
| Issued capital | 112,424 | 102,620 |
| Share-based payments reserve | 3,250 | 2,973 |
| Convertible loan reserve | 477 | 477 |
| Accumulated losses | (110,439) | (98,804) |
| Total equity | 5,712 | 7,266 |

*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 2023 and 30 June 2022.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*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 26. Business combinations

In the prior year the consolidated entity acquired the Brand Solutions Australia business. There have been no changes from the provisional values disclosed in the prior years' annual report of the Group during the 12 month measurement period.

## Note 27. 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:

| Name | Principal place of business / Country of incorporation | Principal activities | Parent Ownership interest 30 June 2023 % | Ownership interest 30 June 2022 % |
|---|---|---|---|---|
| Little Innoscents Pty Ltd | Australia | Provision of organic baby skincare, aromatherapy essential oils and domestic cleaning products | 100.00% | 100.00% |
| Wattle Health Australia Investments Pty Ltd | Australia | Investment | 100.00% | 100.00% |
| BSPS Aust Pty Ltd | Australia | Brand Solutions Australia and Pharma Solutions Australia businesses | 100.00% | 100.00% |

## Note 28. Events after the reporting period

On 18 July 2023 the Company issued 9,313,120 shares at $0.05 (5 cents) as part of the Entitlement Offer, raising $465,656.

On 20 July 2023 the Company issued 27,500,000 unlisted options as free attaching options through the Placement (one for two free attaching options) as being exercisable at $0.10 (10 cents) on or before 20 July 2025.

On 5 October 2023 the Company signed the agreement for the acquisition of Pain Away. The acquisition included payment of $12.8 million plus inventory with a deferred consideration of 2 equal payments of $2.9 million in 12 and 18 months from the completion date. Wellnex as part of the consideration will issue 20 million fully paid ordinary shares escrowed till May 2024. Planned settlement date of the agreement will be December 2023.

On 5 October 2023 the Company announced it is currently in the process of restructuring Convertible notes to extend term a further 12 months till July 2025, with in principle terms agreed with the largest note holder. The restructure of the convertible notes will be subject to shareholder approval at the upcoming Annual General Meeting in November. Pure Asset Management has already agreed to the extension. The proposed new terms are as follows:
- Maturity: July 2025
- Conversion Price: $0.08 per share
- Coupon Rate: 13%
- Early Redemption: Ability to redeem note from March 2024 with a 3-month penalty interest if paid before expiry of note

No other matter or circumstance has arisen since 30 June 2023 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 29. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| Loss after income tax expense for the year | (13,846) | (7,449) |
| | | |
| Adjustments for: | | |
| Depreciation and amortisation | 274 | 147 |
| Impairment of non-current assets | 1,037 | 339 |
| Impairment of goodwill | 4,011 | 471 |
| Share-based payments | 278 | 628 |
| Derecognition of convertible notes on repayment and re-issue of notes | - | (225) |
| Non-cash finance charges | - | 64 |
| | | |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 1,573 | (5,285) |
| Decrease/(increase) in inventories | 1,290 | (3,655) |
| Decrease/(increase) in prepayments | (1,060) | 325 |
| Increase in trade and other payables | 175 | 5,820 |
| Increase in employee benefits | 79 | 154 |
| Increase in other provisions | - | 55 |
| | | |
| Net cash used in operating activities | (6,189) | (8,611) |

## Note 30. Loss per share

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $'000 | 30 June 2022 $'000 |
| Loss after income tax attributable to the owners of Wellnex Life Limited | (13,846) | (7,449) |
| | | |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 403,673,469 | 301,702,267 |
| | | |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 403,673,469 | 301,702,267 |
| | | |
| | Cents | Cents |
| Basic loss per share | (3.43) | (2.47) |
| Diluted loss per share | (3.43) | (2.47) |

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 31. Share-based payments

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:

**Note 31. Share-based payments (continued)**

- 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.

In addition to the aforementioned options, the Company also had further 27,660,078 quoted Class "B" options on issue as at 30 June 2022. These options were free attaching options as detailed in the Company's prospectus dated 13 May 2021. Therefore the fair value of these options were nil.

On 21 March 2022, the consolidated entity issued a total of 10,000,000 unlisted options following receipt of shareholder approval at the Company's 2021 Annual General Meeting. The unlisted options were issued to Reach Corporate as follows:
- 2,500,000 Class C options exercisable at $0.18 and expiring on 20 August 2024; and
- 7,500,000 Class D options exercisable at $0.20 and expiring on 20 August 2024.

On 6 February 2023, the consolidated entity issued a total of 2,815,775 unlisted options following receipt of shareholder approval at the Company's 2022 Annual General Meeting. The unlisted options were issued to Reach Corporate each exercisable into a share by the payment of an exercise price of $0.15, expiring three years from their date of issue.

On 6 February 2023, the consolidated entity issued a total of 4,500,000 unlisted options following receipt of shareholder approval at the Company's 2022 Annual General Meeting. The unlisted options were issued to Directors each exercisable into a share by the payment of an exercise price of $0.15, expiring three years from their date of issue.

Set out below are summaries of options deemed, for accounting purposes, as being granted during or prior to the year ended 30 June 2023, and their deemed balances at 30 June 2023:

30 June 2023

| 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 | - | 13,500,000 | - | - | - | 13,500,000 |
| 21/05/2021 | 10/07/2023 | - | 21,365,143 | - | - | - | 21,365,143 |
| 21/03/2022 | 20/08/2024 | - | 2,500,000 | - | - | - | 2,500,000 |
| 21/03/2022 | 20/08/2024 | - | 7,500,000 | - | - | - | 7,500,000 |
| 06/02/2023 | 06/02/2026 | $0.15 | - | 2,815,775 | - | - | 2,815,775 |
| 06/02/2023 | 06/02/2026 | $0.15 | - | 4,500,000 | - | - | 4,500,000 |
| | | | 44,865,143 | 7,315,775 | - | - | 52,180,918 |

All options on issue at 30 June 2022 are exercisable with the exception of the 3 options issued as deferred remuneration as part of the BSA business combination (refer to note 32).

**Note 31. Share-based payments (continued)**

30 June 2022

| 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 |
| 21/03/2022 | 20/08/2024 | $0.18 | - | 2,500,000 | - | - | 2,500,000 |
| 21/03/2022 | 20/08/2024 | $0.20 | - | 7,500,000 | - | - | 7,500,000 |
| | | | 34,865,143 | 10,000,000 | - | - | 44,865,143 |
| Weighted average exercise price | | | $0.18 | $0.19 | - | - | $0.18 |

Set out below are summaries of Loan Funded Shares issued:

The weighted average remaining contractual life of Loan Funded Shares outstanding at the end of the financial year was 1.44 years (2018: 2.44).

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 |
| 21/03/2022 | 20/08/2024 | $0.12 | $0.20 | 110.00% | - | 0.14% | $0.06470 |
| 21/03/2022 | 20/08/2024 | $0.12 | $0.18 | 110.00% | - | 0.14% | $0.06430 |
| 06/02/2023 | 06/02/2026 | $0.072 | $0.15 | 100.00% | - | 0.03% | $0.03502 |
| 06/02/2023 | 06/02/2026 | $0.072 | $0.15 | 100.00% | - | 0.03% | $0.03502 |

*Performance rights*
On 29 November 2022 the Company issued 15 million performance rights to Directors following receipt of approval at the Annual General Meeting held on 29 November 2022.

**Note 31. Share-based payments (continued)**

| **Share price hurdle** | **Number of Performance Rights granted to each Director** |
|---|---|
| **Tranche 1**<br>Where, prior to the 12 month anniversary of the issue date of the Performance Rights, the volume weighted average price (**VWAP**) of Wellnex Shares traded on the ASX during any period of 30 consecutive trading days (on which Wellnex Shares have actually traded) is or exceeds $0.25. | George Karafotias: 1,500,000<br>Zack Bozinovski: 1,500,000<br>Eric Jiang: 750,000<br>Kobe Li: 750,000 |
| **Tranche 2**<br>Where, prior to the 24 month anniversary of the issue date of the Performance Rights, the VWAP of Wellnex Shares traded on the ASX during any period of 30 consecutive trading days (on which Wellnex Shares have actually traded) is or exceeds $0.35. | George Karafotias: 1,500,000<br>Zack Bozinovski: 1,500,000<br>Eric Jiang: 750,000<br>Kobe Li: 750,000 |
| **Tranche 3**<br>Where, prior to the 36 month anniversary of the issue date of the Performance Rights, the VWAP of Wellnex Shares traded on the ASX during any period of 30 consecutive trading days (on which Wellnex Shares have actually traded) is or exceeds $0.50. | George Karafotias: 2,000,000<br>Zack Bozinovski: 2,000,000<br>Eric Jiang: 1,000,000<br>Kobe Li: 1,000,000 |

| Grant date | Expiry date | Share price at grant date | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|
| 29/11/2022 | 28/11/2025 | $0.072 | 100.00% | - | 3.20% | $0.049 |
| 29/11/2022 | 28/11/2025 | $0.072 | 100.00% | - | 3.20% | $0.042 |
| 29/11/2022 | 28/11/2025 | $0.072 | 100.00% | - | 3.20% | $0.035 |

* Loan amount, per share, repayable by the shareholder on or before expiry date in order to retain shares. If loan amount is not repaid by expiry date, it is expected that the shares will be cancelled.

30 June 2022

| Grant date | Expiry date | Share price at grant date | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 29/11/2022 | 28/11/2025 | $0.072 | - | 15,000,000 | - | - | 15,000,000 |
| | | | - | 15,000,000 | - | - | 15,000,000 |

**Wellnex Life Limited**
**Directors' declaration**
**30 June 2023**

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 2023 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

2 November 2023
Melbourne

WilliamBuck
ACCOUNTANTS & ADVISORS

# Wellnex Life 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 (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial report which indicates that the Group incurred a net loss after income tax of $13,846,000 and net operating cash outflows of $6,189,000 for the year ended 30 June 2023. Note 2 also states that the Group had a current assets deficiency of $2,919,000 as at 30 June 2023. These conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| ASSESSMENT OF CARRYING VALUE OF GOODWILL | |
|---|---|
| **Area of focus**<br>**Refer also to notes 2, 3 and 13** | **How our audit addressed it** |
| During the financial year ended 30 June 2022 the group expanded its activities through the acquisition of Brand Solutions Australia Pty Ltd. The acquisitions created Goodwill on the Group's Consolidated Statement of Financial Position of $5.0 million.<br><br>In the current year the Group has reassessed the makeup of its Cash Generating Units ("CGU's") and have determined that the Group now operates as a single cash generating unit being a provider of high quality Australian made health and wellness products throughout Australasia<br><br>The recoverable amount of the BSA CGU has been calculated based on a value-in-use discounted cashflow model, which examines the expected discounted cashflows of the CGU over a five-year period extending from reporting date, plus a terminal value. As a result an impairment charge of $4.0 million was recorded in the year to 30 June 2023.<br><br>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on. | Our audit procedures included:<br>— A detailed analysis to confirm the change of the Group to operate as a single CGU;<br>— An examination of the discounted cashflow model, testing for<br>a) its arithmetical accuracy;<br>b) the reasonableness of the future cashflows, comparing to historical trends of the business and its pipeline of future sales transactions and the overall industry climate affecting the economics of the business model;<br>c) the reasonableness of key inputs into the model, including growth rates, the discount rate and the working capital levels associated with the derivation of those growth rates<br>— An examination of key sensitivities of the group's future discounted cash flows to changes in key inputs, noting that any change to the assumptions would generate further impairment; and<br>— Cross-checking the overall net present value derived by the model to the current enterprise value of the business, embodied in its market capitalisation.<br><br>We also considered the adequacy of the Group's disclosures in relation to the goodwill in the financial report. |

## 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 2023, 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.

William Buck
ACCOUNTANTS & ADVISORS

# 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 2023.

In our opinion, the Remuneration Report of Wellnex Life Limited, for the year ended 30 June 2023, 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, 2 November 2023

**Wellnex Life Limited**
**Shareholder information**
**30 June 2023**

The shareholder information set out below was applicable as at 10 October 2023.

**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 | |
|---|---|---|
| | **Number of holders** | **% of total shares issued** |
| 1 to 1,000 | 1,087 | 0.14 |
| 1,001 to 5,000 | 1,372 | 0.88 |
| 5,001 to 10,000 | 706 | 1.26 |
| 10,001 to 100,000 | 1,307 | 10.27 |
| 100,001 and over | 411 | 87.45 |
| | 4,883 | 100.00 |
| Holding less than a marketable parcel | - | - |

The total number of fully paid ordinary shares on issue is 433,282,310.

**Unmarketable Parcel**
There are 3,165 holders holding less than a marketable parcel of Shares, based on a minimum of $500 parcel at $0.053 per share (last closing price).

**Distribution of Unquoted Options Ex @ $0.15 Expiring 6 February 2026 (ASX: WNXAB)**
Analysis of number of Unquoted Options and holders by size of holding:

| | Number of holders | % of total |
|---|---|---|
| 1 - 1,000 | - | - |
| 1,001 - 5,000 | - | - |
| 5,001 - 10,000 | - | - |
| 10,001 - 100,000 | - | - |
| 100,001 - and over | 5 | 100.00 |
| Total | 5 | 100.00 |

Distribution of Unquoted Options Ex @ $0.15 Expiring 6 February 2026 (ASX: WNXAB)

Analysis of number of Unquoted Options and holders by size of holding:

- 2,500,000 options @$0.18 expiring 20/08/2024 held by one holder – R CORPORATE INVESTMENTS PTY LTD
- 7,500,000 options @$0.20 expiring 20/08/2024 held by one holder – R CORPORATE INVESTMENTS PTY LTD
- 27,500,000 options @$0.10 expiring 20/07/2025 held by two holders – HOMART GROUP PTY LTD (68.2%) and JYSE MANAGEMENT PTY LTD JYSF A/C (31.2%)
- 15,000,000 performance rights issued to the Board of Directors under the Company’s ESOP, as disclosed above.

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 | 100.00 |
| 1,001 - 5,000 | - | - |
| 5,001 - 10,000 | - | - |
| 10,001 - 100,000 | - | - |
| 100,001 - and over | - | - |
| Total | 2 | 100.00 |

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.

**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 | 7.73 |
| Kirby Superannuation Pty Ltd (Kirby super fund A/C) | 25,333,332 | 5.98 |
| CW Retail Holdings Pty Ltd (CW Retails Holdings A/C) | 18,869,792 | 4.45 |
| Wattle Trading Pty Ltd | 18,831,453 | 4.44 |
| Monex Boom Securities (HK) Ltd (Clients Account) | 17,750,302 | 4.19 |
| JYSF Management Pty Ltd (JYSF A/C) | 16,515,152 | 3.90 |
| ZLJ Pty Ltd (The Bozinovski Family A/C) | 13,750,000 | 3.25 |
| Simish Cosmetics Pty Ltd | 13,500,000 | 3.19 |
| Finclear Pty Ltd (Superhero securities A/C) | 10,556,010 | 2.49 |
| Mr Xuan Khoa Pham | 10,300,000 | 2.43 |
| Eurofit S A Limited | 10,138,902 | 2.39 |
| Brilliant River Limited | 7,211,301 | 1.70 |
| Mr Andrew Grant | 6,979,767 | 1.65 |
| Homart Group Pty Ltd | 6,818,182 | 1.61 |
| GGP Investments Pty Ltd (GGP Superannuation Fund A/C) | 6,130,603 | 1.45 |
| Jamata Pty Ltd + Llea LK Pty Ltd (LMB Wattle Trading Unit A/C) | 5,894,370 | 1.39 |
| Mr Keith William Bremner + Mrs Gabrielle Langner Bremner (Kega superannuation A/C) | 4,000,000 | 0.94 |
| HSBC Custody Nominees (Australia) Limited | 3,574,624 | 0.84 |
| Mr David James Stewart | 2,966,667 | 0.70 |
| Appwam Pty Ltd | 2,400,000 | 0.57 |
| | 234,253,217 | 55.29 |

**Wellnex Life Limited**
**Shareholder information**
**30 June 2023**

## 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** |
| GGP Investments Pty Ltd (GGP Superannuation Fund A/C) | 32,732,760 | 7.73 |
| Kirby Superannuation Pty Ltd (Kirby Super Fund A/C) | 25,333,332 | 5.98 |

## 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.