



Wellnex Life Limited

ABN 77 150 759 363

Annual Report - 30 June 2024

Wellnex Life Limited

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30 June 2024

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Wellnex Life Limited
Corporate directory
30 June 2024

Directors	George Tambassis (Non-Executive Chairman) Eric Jiang (Non-Executive Director) Andrew Vidler (Non-executive Director) George Karafotias (Executive Director) Zack Bozinovski (Executive Director)
Company secretary	Kobe Li
Registered office and Principal place of business	Building 2, Level 3, Suite 69, 574 Plummer St Port Melbourne VIC 3207 Phone: +61 3 8399 9419
Share register	Computershare Investor Registry Services Yarra Falls 452 Johnston Street Abbotsford, Victoria, 3067 Phone: 1300 787 272 (within Australia) Phone: +61 3 9415 5000 (overseas callers)
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Solicitors	Piper Alderman Level 23, Governor Macquarie Tower 1 Farrer Place Sydney, NSW 2000
Stock exchange listing	Wellnex Life Limited securities are listed on the Australian Securities Exchange (ASX code: WNX)
Website	https://www.wellnexlife.com.au

Wellnex Life Limited
Directors' report
30 June 2024

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 2024.

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:

George Tambassis (Non-executive Chairman) - appointed 9 September 2024
Eric Jiang (Non-Executive Director)
George Karafotias (Executive Director and Chief Executive Officer)
Zack Bozinovski (Executive Director)
Andrew Vidler (Non-Executive Director) - appointed 16 January 2024
Jeffrey Yeh (Non-Executive Director) - appointed 16 January 2024
Mario Tascone (Non-Executive Chairman) - appointed 16 January 2024 and resigned 28 June 2024
Zheng (Kobe) Li (Non-Executive Director & Company Secretary) - resigned as Non-Executive Director 16 January 2024

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- development, marketing and selling of premium brands and products for the growing health and pharmaceutical market; and
- licensing of our unique and innovative product to domestic and global pharmaceutical market.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$13,739,000 (30 June 2023: \$13,846,000).

Financial performance

Revenue for the period was \$16.9 million a decrease of 39.3% on the prior corresponding period 30 June 2023: \$27.8 million. The decrease in revenue was a result of the decisions by Wellnex Life to cease providing brokerage services to third party brands, which while providing substantial revenue it was at low margins and provided no long term value to the business.

Wellnex's Life's decision to pivot away from brokerage and to concentrate on the company's own brands resulted in gross margins increasing to 30% for FY24 compared to 17% in FY23, and since the acquisition of Pain Away the gross margin for the business in the second half of FY24 increased to 40%. This has resulted in the gross margins in dollar value increasing 6.5% to \$5 million (FY23: \$4.7 million) despite revenue decreasing 39.3%.

Loss for the full year of \$13.7 million down \$0.1 million on the prior corresponding period 30 June 2023: \$13.8 million, with the loss in FY24 impacted by non-cash adjustments and one off expense associated with the acquisition of Pain Away in December 2023 of \$6.8 million.

During the financial year an impairment test was performed on the carrying value of the Company's Brand Solutions Australia business and recently acquired Pain Away which results in an impairment charge of \$3.39 million being recorded.

- Full financial year of trading with Australia's number one natural topical pain relief brand – Pain Away
- Continued growth of Wellnex Life's other brands
- Expansion of the Haleon arrangement with continued growth in the domestic market and first orders received for the UK
- Launch of new medicinal cannabis brand -Wellness Life for the growing SAS market in Australia

Financial Position

The total assets of the entity at 30 June 2024 was \$31.4 million (30 June 2023: \$15.0 million), an increase of 110%. The net assets of the entity was \$7.1 million (30 June 2023: \$0.6 million).

During the financial year and as part of the Pain Away acquisition, re-negotiated the existing convertible notes with the key terms being an extension of the term for a further 12 months (expiry June 2025), conversion reduced from \$0.21 to \$0.08 and an increase in the coupon rate from 9% to 13%.

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Wellnex Life at the completion of the period raised circa \$2.4 million, with participation from UK brokers and high net worth clients as it prepares the company for a dual listing on the London Stock Exchange, with funds raised to extinguish all liabilities of the company.

Wellnex Life next step is to increase shareholder value and to continue to strengthen the balance sheet which will accelerate the company's growth in both revenue, margins and profits.

FY24 - Transformational Year

Financial Year 2024 was a period of two halves, where in the first half the Company concentrated in finalising the transformational acquisition of Pain Away. The delays in the Pain Away transaction effected the financial performance of the company, but the determination to finalise the acquisition was justified in the turnaround of the business. Revenue in the second half of FY24 increased by over 100% compared to the first half of FY24, with margins increasing 255% from 11% in the first half of FY24 to 39% in the second half of FY24. The impact of the Pain Away acquisition and the financial transformation it has had on the business can be illustrated by the margins in dollars. In FY24 margins in dollars increased by 6.5% to \$5 million compared to FY23 of \$4.7 million despite revenue decreasing by 39.3% in FY24 compared to FY23. The conscious decisions to exit the brokerage business at the end of FY23 was the primary reason for the revenue decline in FY24 which was impacted on the delay of the acquisition of Pain Away.

Brands

Wellnex Life during the financial year continued to grow its brand portfolio with the acquisition of Pain Away and continued growth of our existing brands.

Wakey Wakey

Wellnex in FY24 expanded the Wakey Wakey range to now include six product lines to take advantage of the strong growth in both distribution and sales. In July 2024 Wakey Wakey further expanded its product offerings by bringing to market Australia's first caffeine energy supplement in a soft gel to take advantage of the growing demand of caffeine energy products in a popular softgel format.

Nighty Night

Nighty Night is Australia's first natural sleep aid product in an effervescent format, which in a short period of time has gained significant distribution in both grocery and pharmacy channels. The brand was launched to take advantage of the growing demand from consumers looking for assistance in achieving a good night's sleep.

The Iron Company

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

Mr Bright

Mr Bright, a teeth whitening brand, was purchased by Wellnex in FY23 with distribution channels in the USA and UK and on-line channels but has poor penetration in the Australian market.

Wagner Health Liquigesics

The joint venture brand with Chemist Warehouse continues to go from strength to strength with strong sales in FY24. Wellnex with Chemist Warehouse continues to expand its product offerings under this brand which currently stands at 6 SKU's. All intellectual property in regard to the products under this brand are the property of Wellnex and used in our other brands and also in our IP licensing arrangements.

IP Licensing - Haleon

Wellnex Life in developing innovative and unique products continues to grow its contract manufacturing business with Haleon, on the back of the successful launch for the Australian and New Zealand markets. Wellnex Life announced that Haleon will increase the range of products purchased from Wellnex Life and also expand the agreement for launches into the UK and UAE. In August 2024, Wellnex Life received its first purchase order for the UK market.

Other matters

Wellnex Life announced during the period that it has engaged advisors to dual list the Company on the London Stock Exchange that will increase the value of all shareholders. Wellnex Life continues to work through this process and anticipates the listing to on the London Stock Exchange to occur in the first half of FY25.

All funds raised as part of the dual listing will be used to strengthen the balance sheet by the extinguishment of both the deferred consideration of Pain Away and the Convertible Notes which amount to circa \$12 million and will result in the Company saving circa \$1.5 million in annual interest costs.

Significant changes in the state of affairs

On 14 December 2023, the Company completed a non-renounceable pro-rata 1 for 1 entitlement issue to raise up to \$13.6 million (before costs) via the issue of 487,282,310 fully paid ordinary shares. and conducted a placement on the same terms as the entitlement issue raising \$1 million via the issue of 34,471,428 fully paid ordinary shares. This was to finalise the acquisition of Pain Away and for working capital.

The company also issued the following shares for the period:

- 54,571,428 fully paid ordinary share at a deemed price of \$0.028, as part of the Pain Away acquisition and for services provided by the vendor of Pain Away;
 - 102,855,713 fully paid ordinary shares at an issue price of \$0.028 per share, to strategic investor raising \$3 million; and
 - 68,000,000 fully paid ordinary share at deemed issue price of \$0.022 per share, for services provided by corporate advisors on the acquisition of Pain Away on completion of Mr Bright acquisition.
- (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),

Matters subsequent to the end of the financial year

On 3 July 2024 the Company issued 435,438 shares at \$0.025 (2.5 cents) as part of the employment agreement to former employees.

On 24 July 2024, the Company announced it had successfully raised approximately \$2 million in a placement involving UK based brokers and high net worth investors, via the issue of 73,781,290 fully paid ordinary shares at \$0.028 (2.8 cents) per share.

On 19 July 2024, the Company issued 12,500,000 shares at \$0.028 (2.8 cents) per share to a corporate advisor in connection with corporate advisory services.

On 7 August 2024, the Company issued 99,392,863 shares at \$0.028 (2.8 cents) per share as part of a placement announced on 24 July 2024.

On 15 August 2024, the Company announced it received its first order from Haleon to supply liquid paracetamol for the UK market.

On 16 August 2024, the Company launched new prescription only medicinal cannabis brand -Wellness Life, for the SAS market.

On 9 September 2024, the Company announced the appointment of highly experienced George Tambassis as Non-Executive Chairman.

On 26 September 2024, the company held an extraordinary general meeting (EGM) with all resolutions passed including the consolidation of the Company's equities of 50:1 and the approval to issue 680 million fully paid ordinary shares at a floor price of \$0.028 per share.

Medicinal Cannabis

Wellnex in July 2024 launched new medicinal cannabis brand – Wellness Life in a joint venture with leading medicinal cannabis manufacturer, One Life Botanicals, for the growing SAS market in Australia. Chemist Warehouse as part of the joint venture will partner with the joint venture to assist in growing Wellness Life in being a brand of choice for the lucrative medicinal cannabis market 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. The SAS market is estimated to grow to circa \$600 million in FY25 and with the strategic relationships secured puts Wellnex in a strong position to take advantage of this opportunity.

No other matter or circumstance has arisen since 30 June 2024 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 take advantage of the opportunities of the growing health and pharmaceutical market with its unique and innovative brands and look to continue to grow its distribution, revenue and margins as it looks to deliver its first profit in FY25.

The acquisition of Pain Away has transformed the Company with its extensive distribution and high revenue and margin that will lay the foundations of the Company moving forward as it continues to grow its other brands.

The Company will also expand its IP licensing with Haleon and Arrotex in both the domestic and international market that will add to the profitability of the Company in FY25.

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

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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:	Nil

Name:	Zheng (Kobe) Li
Title:	Non-Executive Director – (Resigned 16 January 2024 as 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:	950,000 fully paid ordinary shares
Interests in rights:	Nil

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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.
Broo Limited (ASX: BEE) - resigned 6 February 2023
Interests in shares: 1,552,346 fully paid ordinary shares
Interests in rights: Nil

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: Nil
Interests in rights: Nil

Name: Andrew Vidler
Title: Non-Executive Director – (Appointed 16 January 2024)
Experience and expertise: Mr Vidler has comprehensive experience across retail, consumer health products and retail pharmacy. Andrew in his over 30 years' experience includes nearly 20 years with the EBOS Group (formerly FH Faulding, Mayne Group and Symbion), where across many roles he led the Terry White and Chemmart pharmacy brands and the Endeavour consumer health products business.
Other current directorships: Pacific Smiles (ASX:PSQ)
Former directorships (last 3 years): None
Interests in shares: 892,858 fully paid ordinary shares
Interests in options: Nil
Interests in rights: Nil

Name: Jeffrey Yeh
Title: Non-Executive Director – (Appointed 16 January 2024)
Qualifications: Bachelor and Master of Science, Bachelor of Technology
Experience and expertise: Mr Jeffrey Yeh is an experienced all-rounded entrepreneur, with over 21 years' experience in all aspects of pharmaceutical sales, marketing, production, quality assurance, operations, logistics, finance and management.
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 194,402,855 fully paid ordinary shares
Interests in options: Nil
Interests in rights: Nil

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Name: George Tambassis
Title: Non-Executive Chairman – (Appointed 9 September 2024)
Qualifications: Nil
Experience and expertise: Mr Tambassis served as a director on the Pharmacy Guild of Australia for 15 years including seven years as its National President, during which he was instrumental in concluding the 6th and 7th Community Pharmacy Agreements with the Commonwealth Governments. He was the inaugural President of the World Pharmacy Council and a member of the OECD's Associate Expert Group advising on pharmacy and health. He has recently been elected back on the Guild National Council and Victorian Branch President for the next four years.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: Nil
Interests in options: Nil
Interests in rights: Nil

Name: Mario Tascone
Title: Non-Executive Chairman – (Appointed 16 January 2024 & Resigned 28 June 2024)
Qualifications: B Pharm
Experience and expertise: Mr Tascone has a long history of success in the consumer health and wellness market, serving as Director of Sales and Marketing for Australia's leading pharmacy retailer, Chemist Warehouse.

Other current directorships: Chemist Warehouse
Former directorships (last 3 years): Nil
Interests in shares: 18,869,792 fully paid ordinary shares
Interests in options: Nil
Interests in rights: Nil

'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 2024, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Eric Jiang	9	10
Kobe Li*	5	5
George Karafotias	10	10
Zack Bozinovski	10	10
Mario Tascone**	4	5
Andrew Vidler**	5	5
Jeffrey Yeh**	5	5

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

* Resigned effective 15 January 2024

** Appointed effective January 2024

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.

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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 14 December 2023

At the AGM held on 14 December 2023, 97.04% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2024. 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)
- Andrew Vidler (Non-Executive Director)
- Jeffrey Yeh (Non-Executive Director)
- Mario Tascone (Non-Executive Chairman)

	Short-term benefits		Post-employment benefits		Share-based payments		Total
	Cash salary and fees	Annual leave	Super-annuation	Long service leave	Equity-settled		
30 June 2024	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Eric Jiang	44,091	-	-	-	60,114	-	104,205
Kobe Li	135,250	-	-	-	60,114	-	195,364
Andrew Vidler *	22,916	-	-	-	-	-	22,916
Jeffrey Yeh *	20,000	-	-	-	-	-	20,000
Mario Tascone **	50,000	-	-	-	-	-	50,000
<i>Executive Directors:</i>							
Zlatko Bozinsvki	365,000	22,464	40,302	8,950	120,277	-	556,993
George Karafotias	365,000	18,339	40,302	13,205	120,277	-	557,123
	<u>1,002,257</u>	<u>40,803</u>	<u>80,604</u>	<u>22,155</u>	<u>360,782</u>	<u>-</u>	<u>1,506,601</u>

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* Appointed 16 January 2024

** Appointed 16 January 2024 and Resigned 28 June 2024

	Short-term benefits		Post-employment benefits		Share-based payments		Total
	Cash salary and fees	Annual leave	Super-annuation	Long service leave	Equity-settled		
30 June 2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Eric Jiang *	92,333	-	-	-	20,035		112,368
Kobe Li **	103,500	-	-	-	20,035		123,535
<i>Executive Directors:</i>							
Zlatko Bozinsvki	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
	<u>819,333</u>	<u>39,409</u>	<u>65,468</u>	<u>14,395</u>	<u>120,208</u>		<u>1,058,813</u>

* Amount paid includes Directors fees for previous financial years amounting to \$32,333.

** 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.

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 \$350,000 plus statutory superannuation. No specific notice period nor specific termination payment provided for.

Name: Zlato Bozinovski
Title: Executive Director and Chief Strategy Officer
Term of agreement: No fixed term
Details: Annual remuneration of \$350,000 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 \$50,000 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.

Name: Jeffrey Yeh
Title: Non-Executive Director
Term of agreement: No fixed term
Details: Annual remuneration of \$50,000 plus statutory superannuation

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Name: Mario Tascone
Title: Non-Executive Chairman
Term of agreement: No fixed term
Details: Annual remuneration of \$120,000 plus statutory superannuation

Name: George Tambassis
Title: Non-Executive Chairman
Term of agreement: No fixed term
Details: Annual remuneration of \$80,000 plus statutory superannuation

Name: Andrew Vidler
Title: Non-Executive Director
Term of agreement: No fixed term
Details: Annual remuneration of \$50,000 plus statutory superannuation

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 2024.

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 2024.

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 2024.

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 2024.

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 2024.

Additional information

The earnings of the consolidated entity for the four years to 30 June 2024 are summarised below:

	2024 \$'000	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000
Revenue and other income	16,936	27,892	18,793	1,434	1,107
Net loss	(13,739)	(13,846)	(7,449)	(20,119)	(65,443)

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

	2024	2023	2022	2021*	2020*
Share price at financial year end (\$)	0.025	0.05	0.06	0.53	0.53

* 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.

Wellnex Life Limited
Directors' report
30 June 2024

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
<i>Ordinary shares</i>					
Eric Jiang	1,949,037	-	-	-	1,949,037
Kobe Li*	700,000	-	250,000	(950,000)	-
George Karafotias	1,302,346	-	2,535,713	-	3,838,059
Zlatko Bozinovski	13,648,500	-	12,994,357	-	26,642,857
Andrew Vidler	892,858	-	-	-	892,858
Jeffrey Yeh	194,402,855	-	-	-	194,402,855
Mario Tascone**	18,869,792	-	-	(18,869,792)	-
	<u>231,765,388</u>	<u>-</u>	<u>15,780,070</u>	<u>(19,819,792)</u>	<u>227,725,666</u>

* Resigned 16 January 2024

** Resigned 28 June 2024

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 2024.

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
<i>Performance Rights</i>					
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
	<u>15,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000,000</u>

* Subsequent to the end of the financial year, the performance rights were cancelled by the Board with approval of the holders.

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

Tranche 1

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.

Tranche 2

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.

Tranche 3

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.

Number of Performance Rights granted to each Director

George Karafotias: 1,500,000
 Zack Bozinovski: 1,500,000
 Eric Jiang: 750,000
 Kobe Li: 750,000

George Karafotias: 1,500,000
 Zack Bozinovski: 1,500,000
 Eric Jiang: 750,000
 Kobe Li: 750,000

George Karafotias: 2,000,000
 Zack Bozinovski: 2,000,000
 Eric Jiang: 1,000,000
 Kobe Li: 1,000,000

Other transactions with key management personnel and their related parties

During the financial year, the Company received loans from Director George Karafotias amounting to \$738,000 and Director Zack Bozinovski amounting to \$1,775,000.

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*	-	1
6 February 2023	6 February 2026	\$0.15	7,315,776
20 July 2023	20 July 2025	\$0.10	27,500,000
19 December 2023	30 June 2025	\$0.05	218,460,618
19 December 2023	01 January 2026	\$0.05	70,000,000
			323,276,395

* 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.

Wellnex Life Limited
Directors' report
30 June 2024

Shares issued on the exercise of options

The following ordinary shares of Wellnex Life Limited were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
	\$0.05	8,750

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 2024 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 Board.

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.

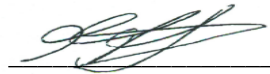
Wellnex Life Limited
Directors' report
30 June 2024

Auditor's independence declaration

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

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

On behalf of the directors



George Karafotias
Executive Director

30 September 2024
Melbourne

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Wellnex Life Limited

As lead auditor for the audit of Wellnex Life Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, 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.

This declaration is in respect of Wellnex Life Limited and the entities it controlled during the year.

William Buck

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

N. S. Benbow

N. S. Benbow

Director

Melbourne, 30 September 2024

Wellnex Life Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Revenue			
Sale of goods		16,492	26,256
Sales commission		47	61
Retainer revenue		289	1,546
Other revenue		104	13
Interest income		4	16
		<u>16,936</u>	<u>27,892</u>
Net gain on modification of the terms of convertible loans	10	663	-
Expenses			
Raw materials and consumables used		(11,859)	(23,138)
Administrative and corporate expenses		(2,785)	(2,660)
Share based payments issued to third parties		(491)	(278)
Employee benefits expense		(4,584)	(4,205)
Selling, marketing and distribution expenses		(2,893)	(4,434)
Depreciation and amortisation expense		(774)	(274)
Impairment of receivables		(85)	(1,037)
Impairment of intangible assets	8	(3,393)	(4,030)
Impairment of inventory		(967)	-
Transaction costs of the Pain Away acquisition		(1,112)	-
Finance costs		(2,395)	(1,682)
		<u>(13,739)</u>	<u>(13,846)</u>
Loss before income tax expense		(13,739)	(13,846)
Income tax expense		-	-
		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Wellnex Life Limited		(13,739)	(13,846)
Other comprehensive income for the year, net of tax		-	-
		<u>-</u>	<u>-</u>
Total comprehensive loss for the year attributable to the owners of Wellnex Life Limited		(13,739)	(13,846)
		<u>(13,739)</u>	<u>(13,846)</u>
		Cents	Cents
Basic loss per share	22	(1.62)	(3.43)
Diluted loss per share	22	(1.62)	(3.43)

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 2024

		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		903	322
Trade and other receivables	5	4,382	4,598
Inventories	6	3,630	3,029
Prepayments and other current assets		980	1,228
Deposits paid - Pain Away acquisition		-	2,200
Total current assets		<u>9,895</u>	<u>11,377</u>
Non-current assets			
Other receivables	5	120	-
Property, plant and equipment		28	48
Right-of-use assets		46	153
Intangibles	8	20,835	3,462
Total non-current assets		<u>21,029</u>	<u>3,663</u>
Total assets		<u>30,924</u>	<u>15,040</u>
Liabilities			
Current liabilities			
Trade and other payables	9	7,438	7,111
Borrowings	10	10,615	6,788
Lease liabilities		52	110
Employee benefit provisions		459	287
Deferred consideration	18	5,650	-
Other liabilities	11	564	-
Total current liabilities		<u>24,778</u>	<u>14,296</u>
Non-current liabilities			
Lease liabilities		-	52
Employee benefit provisions		86	98
Total non-current liabilities		<u>86</u>	<u>150</u>
Total liabilities		<u>24,864</u>	<u>14,446</u>
Net assets		<u>6,060</u>	<u>594</u>
Equity			
Issued capital	12	130,557	112,424
Reserves		2,085	3,727
Accumulated losses		(126,582)	(115,557)
Total equity		<u>6,060</u>	<u>594</u>

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 2024

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)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 12)	9,804	-	-	-	9,804
Vesting charge for share based payments	-	277	-	-	277
Balance at 30 June 2023	112,424	3,250	477	(115,557)	594

Consolidated	Issued capital \$'000	Share-based payment reserve \$'000	Convertible loan reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2023	112,424	3,250	477	(115,557)	594
Loss after income tax expense for the year	-	-	-	(13,739)	(13,739)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(13,739)	(13,739)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 12)	18,679	-	-	-	18,679
Vesting charge for share based payments	(546)	1,072	-	-	526
Expiry of options	-	(2,345)	-	2,345	-
Derecognition of reserve upon modification of the terms of convertible loans (refer to Note 10)	-	-	(369)	369	-
Balance at 30 June 2024	130,557	1,977	108	(126,582)	6,060

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 2024

		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		16,535	29,500
Payments to suppliers and employees (inclusive of GST)		(21,305)	(35,529)
Transaction costs related to Pain Away acquisition		(1,172)	-
Interest received		2	16
Interest and other finance costs paid		(878)	(176)
Net cash used in operating activities	21	<u>(6,818)</u>	<u>(6,189)</u>
Cash flows from investing activities			
Loans provided for One Life joint venture		(120)	-
Pain Away acquisition payments	8	<u>(13,300)</u>	<u>(2,200)</u>
Net cash used in investing activities		<u>(13,420)</u>	<u>(2,200)</u>
Cash flows from financing activities			
Proceeds from issue of shares	12	20,150	8,166
Transaction costs related to issues of equity		(2,804)	(710)
Proceeds from borrowings including related party loans		10,645	10,446
Repayment of borrowings		(7,062)	(12,251)
Repayment of lease liabilities		(110)	(121)
Net cash from financing activities		<u>20,819</u>	<u>5,530</u>
Net increase/(decrease) in cash and cash equivalents		581	(2,859)
Cash and cash equivalents at the beginning of the financial year		<u>322</u>	<u>3,181</u>
Cash and cash equivalents at the end of the financial year		<u><u>903</u></u>	<u><u>322</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Wellnex Life Limited
Notes to the Annual Report
30 June 2024

Note 1. General information

The Annual financial report 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 Annual financial report is 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 Annual financial report.

The Annual financial report were authorised for issue, in accordance with a resolution of directors, on 30 September 2024. The directors have the power to amend and reissue the Annual financial report.

Note 2. Material accounting policy information

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 \$13,739,000 during the year ended 30 June 2024 and the net cash used in operating activities was \$6,818,000. The cash balance as at 30 June 2024 was \$903,000. The deficiency of current liabilities over current assets as at 30 June 2024 was \$14,883,000.

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 accounts have been prepared on the basis that the consolidated entity will continue its business activities (and that, therefore, the consolidated entity is a going concern) for the following reasons:

- the consolidated entity since the acquisition of Pain Away is generating high margin revenue that will generate positive cashflow for the business and we are also seeing growth in our other brands;
- the extension of the Haleon arrangement into the UK in the first half of FY25 will generate significant revenue and cashflow for the business;
- the consolidated entity holds significant inventory including in some cases 12 months supply to manufacture products, with the inventory held at 30 June can generate circa \$12 million in sales;
- the consolidated entity can if required enter into negotiations to re-structure the notes prior to expiry in June 2025 if required;
- 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 consolidated entity is in the process of conducting an IPO in the UK with funds raised to be used to extinguish all liabilities that is planned to be completed in the first half of FY25; and
- the consolidated entity also has the ability to raise additional capital through its lead Australian broker and they have provided support that they will raise additional capital as required, through a placement.
- the consolidated entity has the ability to significantly curtail expenses. As at 30 June 2024 the Company has received representations from key sources of finance and its key management personnel stating their intention, ability, if required, to provide financial support for a period of at least 13 months from the date of signing this report.

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').

Note 2. Material accounting policy information (continued)

Historical cost convention

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

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 and is net of any contracted rebates or discounts that are contracted with the retailer or wholesaler.

Discretionary rebates or discounts that are not part of any contract are treated as marketing expense with the revenue recognised on the invoice issued to the respective retailer or wholesaler. Discounts, rebates or rebates offered by customers directly linked to the sale of goods are represented net of revenues.

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 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.

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.

Assessment of the Pain Away acquisition

The director reviewed the acquisition of Pain Away and concluded that it did not satisfy the accounting definition of a business, as Pain Away in its purchased form did not have the inputs, outputs and processes necessary to meet that definition, principally due to the fact that no customer contracts, employees or existing supplier contracts were acquired in the transaction.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and/or tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax assets were recognised as at 30 June 2024.

Assessment of impairment of amortising intangible assets

As at 30 June 2024 the directors considered with a trigger for impairment existed in-respect of the consolidated entity's brand asset in Pain Away. In determining that no impairment trigger existed, the directors took into account a) the overall market capitalization of the Company relative to its consolidated net assets; and b) a fair valuation assessment performed by an independent specialist as at 30 June 2024 of the brand asset.

Convertible Notes

The directors have evaluated the convertible notes, as modified in December 2023, and have determined that the notes carry a fixed share conversion entitlement. As a consequence, the underlying convertible note host liability was measured at the date of the modification, exclusive of its conversion entitlement at fair value and thereafter accounted for at amortised cost. The discount rate applied at initial recognition, at 14.9%, which was performed by an external specialist, factored in the market risk-free rate plus an appropriate credit spread adjustment comparable to other like-for-like enterprises, factoring in the security features of the notes. Given this discount rate is non-market observable, the directors consider this valuation to be a non-market based input that meets the accounting definition of a Level 3 hierarchy. Notwithstanding this, the directors consider that no reasonable adjustment to the credit spread adjustment would not materially impact the results presented in these financial statements.

The difference at the date of modification between the consideration received and the fair value of the underlying note was recognised in the convertible note reserve in equity. A previous amount taken to the reserve prior to the modification of the convertible notes was retired to accumulated losses.

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 2024 financial year the consolidated entity acquired the assets of Pain Away. 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 wellness 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.

Wellnex Life Limited
Notes to the Annual Report
30 June 2024

Note 5. Current assets - trade and other receivables

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current Asset		
Trade receivables	4,329	4,143
Amounts receivable from Corio Bay Group Pty Ltd	-	156
Deposits	53	247
Other	-	52
	<u>4,382</u>	<u>4,598</u>
	<u>-</u>	<u>-</u>

Allowance for expected credit losses

The ageing of trade receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue	-	-	4,128	3,172	-	-
30 to 60 days overdue	-	-	163	779	-	-
60 to 90 days overdue	-	-	1	140	-	-
90 days overdue	97%	-	37	52	36	-
			<u>4,329</u>	<u>4,143</u>	<u>36</u>	<u>-</u>

Note 6. Current assets - inventories

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Finished goods - at cost	4,597	3,029
Less: Provision for impairment	(967)	-
	<u>3,630</u>	<u>3,029</u>

Note 7. Non-current assets - other receivables

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Loan - One Life	<u>120</u>	<u>-</u>

During the financial year the Company provided an unsecured loan to the One Life joint venture. The loan is repayable from earnings of the joint venture with no fixed term.

Wellnex Life Limited
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Note 8. Non-current assets - intangibles

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Goodwill - at cost	5,004	5,004
Less: Impairment	(5,004)	(4,011)
	-	993
Patents and trademarks - at cost	110	130
Less: Accumulated amortisation	(64)	(41)
	46	89
Brands - at cost (1)	22,996	1,636
Less: Accumulated amortisation	(571)	-
Less: Impairment	(1,636)	-
	20,789	1,636
Customer Relationships - at cost	276	276
Less: Impairment	(276)	(55)
	-	221
Formation costs	604	604
Less: Impairment	(604)	(81)
	-	523
	20,835	3,462

(1) As at 30 June 2024, the group completed the acquisition of the Pain Away brand for total consideration of \$21.36m.'

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.

The Group performed an impairment test as at 31 December 2023 and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the cash generating units were disclosed in the annual consolidated preliminary final report for the year ended 30 June 2023.

As at 31 December 2023, there was an indicator of impairment as there was economic uncertainty with respect to certain products. As a result, the group performed an impairment assessment and recognised an impairment loss amounting to \$3.393 million related to carrying amount of Brand Solutions Australia, Mr Bright and Setco. The key assumptions applied included pre-tax discount rate of 15.0% (30 June 2023: 14.5%), projected growth rate of 13.95% per annum (30 June 2023: 20% per annum) and long-term terminal growth rate of 3.0% (30 June 2023: 2.5%).

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30 June 2024

Note 8. 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 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
Asset acquisition	-	-	21,360	-	-	21,360
Impairment of assets	(993)	(20)	(1,636)	(221)	(523)	(3,393)
Amortisation expense	-	(23)	(571)	-	-	(594)
Balance at 30 June 2024	-	46	20,789	-	-	20,835

Material accounting policy information for Brands

The value of Brands are accounted for over their useful life, which has been determined by the Company as 20 years.

Note 9. Current liabilities - trade and other payables

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Trade payables	4,316	6,192
Accruals	220	265
Payables to related parties	1,421	161
Wages and superannuation payable	426	108
ATO payable	204	164
Other payables	851	221
	7,438	7,111

Note 10. Current liabilities - borrowings

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Insurance funding	-	30
Trade and debtor financing	1,612	542
Convertible notes payable (net of deferred borrowing costs)	6,490	6,216
Related party borrowings	2,513	-
	10,615	6,788

Note 10. Current liabilities - borrowings (continued)

Related party borrowings

Amounts due and payable to related parties of the Company are \$2,513,000. Loans to related parties are unsecured, non-interest bearing and repayable at call and carry no equity conversion features and therefore are at terms that the directors consider are no more favourable to the related parties than at market terms.

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
- amount drawn down as at 30 June 2024: \$1,612,000
- 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 and has first ranking over the consolidated entity's inventory and receivables.

Original Convertible Note Terms

- amount drawn down as at 30 June 2022: \$6,150,000 (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.

Revised Convertible Note Terms

- Conversion price: the conversion price be reduced from \$0.21 to \$0.08;
- Coupon rate: the coupon rate be increased from 9% to 13%, for the period from 6 October 2023 until the maturity date;
- Maturity date: the maturity date be extended by 12 months to 21 June 2025; and
- Redemption: the Company can redeem the Convertible Note at its election (with the Noteholder's consent) from 1 March 2024 onwards, subject to payment of an early redemption fee equal to the 3 months' interest.

Under the revised terms, the principal amount under the Convertible Note will be convertible into a maximum of 77,500,000 Conversion Shares and 38,750,000 Conversion Options (based on the new conversion price of \$0.08, and assuming full conversion of the principal amount of \$6.2m) (noting that this number of securities does not include any securities which the Company will be required to issue to the Noteholder in respect of accrued interest, which is convertible at the same conversion price).

Included in the Variation Deed were 20 million variation options which entitle the note holder to subscribe to one fully paid ordinary share at an exercise price of \$0.05. These were valued using a Black-Scholes valuation model, and a fair value of \$0.1 million was recognised.

The historical convertible notes at fair value was \$5,801,110 (30 June 2023), with the modification of the convertible note resulting in a fair value of \$5,722,899 on inception of the modified convertible notes. A fair value gain of \$663,000 was realised during the financial year in the Statement of Comprehensive Income for the net gain on modification of the term of convertible notes, which arose on the extinguishment of the historical convertible notes.

The Directors of the Company appointed an external valuation expert to perform a fair value valuation on the convertible notes and the related embedded derivatives as at modification.

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Note 11. Current liabilities - Other liabilities

	Consolidated	30 June 2023
	30 June 2024	30 June 2023
	\$'000	\$'000
Proceeds from unissued shares	564	-

Note 12. Equity - issued capital

	Consolidated			
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	1,289,554,351	423,719,190	130,557	112,424

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 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 Pain Away	19 May 2023	10,000,000	-	2,200
Capital raising costs		-	-	(878)
Balance	30 June 2023	423,719,190		112,424
Placement of shortfall shares	28 July 2023	9,563,120	\$0.05	478
Issue of shares for placement of Pain Away	13 October 2023	34,000,000	\$0.028	-
Issue of shares to 365 Health as part of purchase consideration for Pain Away asset acquisition *	3 November 2023	20,000,000	\$0.028	560
Issue of shares for acquisition of Pain Away	14 December 2023	487,282,310	\$0.028	13,644
Issue of shares for Placement	15 December 2023	53,839,556	\$0.028	1,507
Issue of shares for Placement	20 December 2023	6,000,000	\$0.028	-
Issue of shares to 365 Health as part of purchase consideration for Pain Away asset acquisition *	20 December 2023	28,571,428	\$0.028	800
Issue of shares to 365 Health for management services	20 December 2023	20,000,000	\$0.028	560
Issue of shares for Placement	29 February 2024	35,714,284	\$0.028	1,000
Issue of shares for Placement	14 March 2024	63,571,428	\$0.028	1,780
Issue of shares to lead manager for capital raise	18 March 2024	68,000,000	\$0.022	1,496
Issue of shares for Placement	1 May 2024	39,284,285	\$0.028	1,011
Issue of shares for exercise of options **	31 May 2024	8,750	\$0.05	-
Capital raising costs		-	-	(4,703)
Balance	30 June 2024	1,289,554,351		130,557

* These are non-cash considerations for the acquisition of Pain Away. Refer to Note 18 for information on the consideration paid.

** During the year, the Company issued 8,750 ordinary fully paid shares through the exercise of 8,750 options at 5 cents (\$0.05) which raised \$437.

Ordinary shares

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

Note 12. Equity - issued capital (continued)

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

Note 13. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including 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.

The consolidated entity has a credit risk exposure with trade receivables, which as at 30 June 2024 owed the consolidated entity \$4,329,000 (2023: \$4,143,000). This balance was within its terms of trade and no impairment was made as at 30 June 2024. 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.

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Note 13. Financial instruments (continued)

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 2024	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						
<i>Non-interest bearing</i>						
Trade payables	-	5,737	-	-	-	5,737
Accruals	-	220	-	-	-	220
Other payables	-	1,481	-	-	-	1,481
Loans from related parties	-	2,513	-	-	-	2,513
Deferred consideration	-	5,650	-	-	-	5,650
<i>Interest-bearing</i>						
Convertible loans	13.00%	6,490	-	-	-	6,490
Lease liability	-	52	-	-	-	52
Trade finance facility	11.22%	1,612	-	-	-	1,612
Total non-derivatives		23,755	-	-	-	23,755

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						
<i>Non-interest bearing</i>						
Trade payables	-	6,353	-	-	-	6,353
Accruals	-	265	-	-	-	265
Other payables	-	493	-	-	-	493
<i>Interest-bearing</i>						
Convertible loans	9.00%	6,216	-	-	-	6,216
Lease liability - head office	-	110	52	-	-	162
Trade finance facility	6.50%	542	-	-	-	542
Insurance funding	-	30	-	-	-	30
Total non-derivatives		14,009	52	-	-	14,061

Details about the financial guarantee contracts are provided in . The amounts disclosed in the above tables are the maximum amounts allocated to the earliest period in which the guarantee could be called upon. The consolidated entity does not expect these payments to eventuate.

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.

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Note 14. 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 2024	30 June 2023
	\$	\$
Short-term employee benefits	1,043,060	858,742
Post-employment benefits	80,604	65,468
Long-term benefits	22,155	14,395
Share-based payments	360,782	120,208
	<u>1,506,601</u>	<u>1,058,813</u>

Note 15. 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 2024	30 June 2023
	\$	\$
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	<u>188,458</u>	<u>113,000</u>
<i>Other services - William Buck</i>		
Other assurance services	<u>68,000</u>	<u>5,000</u>
	<u>256,458</u>	<u>118,000</u>

Note 16. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 14 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	30 June 2024	30 June 2023
	\$	\$
Sale of goods and services:		
3PL logistics costs paid to an entity controlled by a Director	(803,609)	(1,889,861)
Office lease payments made to an entity controlled by a Director	(114,801)	(58,200)

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Note 16. Related party transactions (continued)

Payable to related parties

The following balances are payable at the reporting date in relation to transactions with related parties:

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current payables:		
Loan from George Karafotias	738	-
Loan from Zack Bozinovski	1,775	-
Total	2,513	-

Refer to Notes 10 and 11 for further information on the related party loans.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 17. 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 2024	30 June 2023
	\$'000	\$'000
Loss after income tax	(9,701)	(9,104)
Total comprehensive loss	(9,701)	(9,104)

Statement of financial position

	Parent	
	30 June 2024	30 June 2023
	\$'000	\$'000
Total current assets	925	4,072
Total assets	29,754	13,032
Total current liabilities	14,658	7,274
Total liabilities	14,667	7,320
Equity		
Issued capital	130,519	112,424
Share-based payments reserve	1,886	3,250
Convertible loan reserve	108	477
Accumulated losses	(107,726)	(110,439)
Total equity	15,087	5,712

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 2024 and 30 June 2023.

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Note 17. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

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 18. Asset acquisition

Acquisition of Pain Away brand asset

On 18 December 2023 the Company announced the completion of the asset acquisition of Pain Away brand asset. Pain Away is the largest Australian-owned topical pain relief brand and second largest provider of topical pain relief products in Australia in market share terms. The business develops and manufactures topical pain relief products focused on joint and muscle pain using all natural ingredients.

The deferred consideration is payable in two equal tranches of \$2.9m and \$2.75m maturing October 2024 and April 2025. In the event of a default of payment of either tranche has the right to take action including enforcing its security rights and also the associated guarantee with Wellnex Life.

Details of the acquisition are as follows:

	Fair value \$'000
Brand asset	21,360
Inventory	1,150
	<hr/>
Acquisition-date total consideration transferred	22,510
	<hr/> <hr/>
Cash used to acquire business, net of cash acquired:	
Advance cash deposit paid in 2023 Financial Year	(2,200)
Remaining deposit amount paid in the 2024 Financial Year	(13,300)
Less: deferred consideration	(5,650)
Less: shares issued by company as part of consideration	(1,360)
	<hr/>
Consideration paid	(22,510)
	<hr/> <hr/>

Wellnex Life Limited
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Note 19. 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 2024 %	Ownership interest 30 June 2023 %
Little Innoscents Pty Ltd*	Australia	Provision of organic baby skincare, aromatherapy essential oils and domestic cleaning products	-	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%
BSPSPA Pty Ltd	Australia	Holds the IP and trademarks of Pain Away	100.00%	-

* Liquidated during the financial year.

Note 20. Events after the reporting period

On 3 July 2024 the Company issued 435,438 shares at \$0.025 (2.5 cents) as part of the employment agreement to former employees.

On 19 July 2024, the Company issued 12,500,000 shares at \$0.028 (2.8 cents) per share to a corporate advisor in connection with corporate advisory services.

On 24 July 2024, the Company announced it had successfully raised approximately \$2 million in a placement involving UK based brokers and high net worth investors, via the issue of 73,781,290 fully paid ordinary shares at \$0.028 (2.8 cents) per share.

On 7 August 2024, the Company issued 99,392,863 shares at \$0.028 (2.8 cents) per share as part of a placement announced on 24 July 2024.

On 15 August 2024, the Company announced it received its first order from Haleon to supply liquid paracetamol for the UK market.

On 16 August 2024, the Company launched new prescription only medicinal cannabis brand -Wellness Life, for the SAS market.

On 9 September 2024, the Company announced the appointment of highly experienced George Tambassis as Non-Executive Chairman.

On 26 September 2024, the company held an extraordinary general meeting (EGM) with all resolutions passed including the consolidation of the Company's equities of 50:1 and the approval to issue 680 million fully paid ordinary shares at a floor price of \$0.028 per share.

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Note 20. Events after the reporting period (continued)

Medicinal Cannabis

Wellnex in July 2024 launched new medicinal cannabis brand – Wellness Life in a joint venture with leading medicinal cannabis manufacturer, One Life Botanicals, for the growing SAS market in Australia. Chemist Warehouse as part of the joint venture will partner with the joint venture to assist in growing Wellness Life in being a brand of choice for the lucrative medicinal cannabis market 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. The SAS market is estimated to grow to circa \$600 million in FY25 and with the strategic relationships secured puts Wellnex in a strong position to take advantage of this opportunity.

No other matter or circumstance has arisen since 30 June 2024 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 21. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Loss after income tax expense for the year	(13,739)	(13,846)
Adjustments for:		
Depreciation and amortisation	821	274
Impairment of non-current assets	86	1,037
Impairment of goodwill	3,346	4,011
Share-based payments	491	278
Impairment of inventory	967	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(253)	1,573
Decrease/(increase) in inventories	(1,568)	1,290
Decrease/(increase) in prepayments	2,713	(1,060)
Increase/(decrease) in trade and other payables	(160)	175
Increase in employee benefits	478	79
Net cash used in operating activities	<u>(6,818)</u>	<u>(6,189)</u>

Note 22. Loss per share

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Loss after income tax attributable to the owners of Wellnex Life Limited	<u>(13,739)</u>	<u>(13,846)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>850,349,898</u>	<u>403,673,469</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>850,349,898</u>	<u>403,673,469</u>
	Cents	Cents
Basic loss per share	(1.62)	(3.43)
Diluted loss per share	(1.62)	(3.43)

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Note 22. Loss per share (continued)

The dilutive impact of shares, options and rights 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 shares, options and rights are non-dilutive as the consolidated entity is loss generating.

Note 23. Share-based payments

The consolidated entity may issue options to service providers as consideration for services provided to the consolidated entity. Set out below are summaries of options deemed, for accounting purposes, as being granted during or prior to the year ended 30 June 2024, and their deemed balances at 30 June 2024:

Share based payments issued as part of remuneration of employees and key management personnel

30 June 2024

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
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
			<u>52,180,918</u>	<u>-</u>	<u>-</u>	<u>(34,865,143)</u>	<u>17,315,775</u>

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	\$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
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
			<u>44,865,143</u>	<u>7,315,775</u>	<u>-</u>	<u>-</u>	<u>52,180,918</u>

Share based payments issued as part of capital raisings

30 June 2024

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
14/03/2024	01/01/2026	\$0.05	-	50,000,000	-	-	50,000,000
			<u>-</u>	<u>50,000,000</u>	<u>-</u>	<u>-</u>	<u>50,000,000</u>

Wellnex Life Limited
Notes to the Annual Report
30 June 2024

Note 23. Share-based payments (continued)

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	\$0.200	90.00%	-	0.14%	\$0.07861
09/07/2021	30/09/2023	\$0.15	\$0.150	90.00%	-	0.14%	\$0.06007
21/03/2022	20/08/2024	\$0.12	\$0.200	110.00%	-	0.14%	\$0.06470
21/03/2022	20/08/2024	\$0.12	\$0.180	110.00%	-	0.14%	\$0.06430
06/02/2023	06/02/2026	\$0.072	\$0.150	100.00%	-	0.03%	\$0.03502
06/02/2023	06/02/2026	\$0.072	\$0.150	100.00%	-	0.03%	\$0.03502
14/03/2024	01/01/2026	\$0.026	\$0.050	100.00%	-	3.35%	\$0.91100

Wellnex Life Limited
Consolidated entity disclosure statement
As at 30 June 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Wellnex Life Limited	Body corporate	Australia	-	
BSPS Aust Pty Ltd	Body corporate	Australia	100.00%	Australia
BSPSPA Pty Ltd	Body corporate	Australia	100.00%	Australia
Wattle Health Investments Pty Ltd	Body corporate	Australia	100.00%	Australia

Basis of preparation

This Consolidated entity disclosure statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the Consolidated Entity as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Determination of tax residency

Section 295 (3A)(vi) of the Corporation Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

Australian tax residency

The Group has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Partnerships and Trusts

None of the entities noted above were trustees of trusts within the Group, partners in a partnership within the Group or participants in a joint venture within the Group.

Wellnex Life Limited
Directors' declaration
30 June 2024

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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

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

On behalf of the directors



George Karafotias
Executive Director

30 September 2024
Melbourne

Independent auditor's report to the members of Wellnex Life Limited

Report on the audit of the financial report

Our opinion on the financial report

In our opinion, the accompanying financial report of Wellnex Life Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

- the consolidated statement of financial position as at 30 June 2024,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

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 & 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 in the financial report, which indicates that the Group incurred a net loss after income tax of \$13,739,000 and net operating cash outflows of \$6,818,000 during the year ended 30 June 2024 and, as of that date, the Group's current liabilities exceeded its current assets by \$14,883,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on 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.

1. Acquisition of Pain Away brand assets	Area of focus (refer also to note 18)	How our audit addressed the key audit matter
	<p>On 18 December 2023, the Group announced the completion of the Pain Away asset acquisition, which included the purchase of brand assets and inventory for a total consideration of \$22.51 million.</p> <p>This acquisition was identified as a key audit matter due to its material impact on the Group's financial statements, the complexity in valuing the acquired brand asset, and the judgement required to determine whether the transaction qualifies as an asset acquisition, thereby falling outside the scope of AASB 3 <i>Business Combinations</i>.</p> <p>The directors commissioned an independent expert to evaluate the fair value of the brand asset acquired.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Examining the key contracts related to the acquisition, including the business sale agreement and deed of variation, to understand the transaction, its key terms, and to assess the appropriateness of management's conclusion that the transaction qualifies as an asset acquisition. — Verifying the valuation of the consideration paid and deferred consideration payable under the acquisition agreement, including tracing share issuances to the vendor as part of the purchase consideration. — Evaluating the valuation methodologies and key assumptions used by management and their independent valuation specialist to value the acquired brand asset. — Assessing the independence, experience, and expertise of the independent valuation specialist engaged by management and examining the model used and input assumptions employed by the specialist in deriving their fair valuation assessment. — Reviewing the sufficiency and completeness of disclosures made in the financial report.

2. Valuation of convertible debt **Area of focus (refer also to note 10)**

On 14 December 2023, the Group received shareholder approval for a variation to its existing convertible debt. The Directors have determined that this variation constitutes a substantial modification under AASB 9 *Financial Instruments*. An independent specialist was engaged to perform a fair value assessment of the revised convertible debt, including the fair value of the liability component (debt host liability), as well as the bonus option and conversion feature (equity).

The convertible debt balance is material to the financial statements, and valuing this compound financial instrument requires complex valuation techniques and the use of subjective assumptions.

How our audit addressed the key audit matter

Our audit procedures included:

- Examining the original debt agreement and the variation made on 14 December 2023, focusing on key clauses that impact accounting treatment and financial statement recognition.
- Assessing the independence, experience, and expertise of the independent valuation specialist engaged by management.
- Obtaining written confirmation from the Trustee of the convertible debtholders to verify the outstanding face value amount as of the balance date.
- Recalculating and cross-referencing the valuation and disclosures of the modified convertible debt agreement with the balances and disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

- the consolidated entity disclosure statement that is true and correct and is free of 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 have 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 the financial report 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 auditor's report.

Report on the Remuneration Report



Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of Wellnex Life Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

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

N. S. Benbow

Director

Melbourne, 30 September 2024

Wellnex Life Limited
Shareholder information
30 June 2024

The shareholder information set out below was applicable as at 27 September 2024.

Corporate Governance Statement

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

The total number of fully paid ordinary shares on issue is 1,401,882,652.

Unmarketable Parcel

There are 3,504 holders holding less than a marketable parcel of Shares, based on a minimum of \$500 parcel at \$0.019 per share (last closing price).

	Number of holders	% of total
1 - 1,000	1,024	0.04
1,001 - 5,000	1,239	0.24
5,001 - 10,000	597	0.33
10,001 - 100,000	1,288	3.33
100,001 - and over	763	96.05
Total	<u>4,911</u>	<u>99.99</u>

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

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
Homart Group Pty Ltd	83,508,573	5.96
Kobella Holdings Pty Ltd (The Kobella Holding Unit A/C)	68,571,428	4.89
JYSF Management Pty Ltd (JYSF A/C)	65,729,522	4.69
Kirby Superannuation Pty Ltd (Kirby super fund A/C)	40,154,760	2.86
GGP Investments Pty Ltd (GGP Superannuation Fund A/C)	32,732,760	2.33
Citicorp Nominees Pty Limited	32,661,975	2.33
Gleneagle Securities Nominees Pty Limited	32,142,855	2.29
HSBC Custody Nominees (Australia) Limited	30,559,496	2.18
Morrison Securities Pty Ltd (Placements A/C)	28,836,995	2.06
ZJL Pty Ltd (The Bozinovski Family A/C)	24,142,857	1.72
18120 Pty Ltd (HMEJ A/C)	22,657,143	1.62
Lotus Capital Group Pty Ltd	19,882,100	1.42
Gleneagle Securities (Aust) Pty Ltd	19,700,000	1.41
Pear Management Pty Ltd	19,603,863	1.40
Reid Jon Zulpo (RJ & MC Zulpo Family A/C)	19,021,740	1.36
CW Retail Holdings Pty Ltd (CW Retail Holdings A/C)	18,869,792	1.35
Wattle Trading Pty Ltd	18,831,453	1.34
Onslow Management Services Pty Ltd Ltd (Esperance A/C)	17,857,143	1.27
Monex Boom Securities (HK) Ltd (Clients Account)	17,750,302	1.27
Mrs Jieni Jeffrey	16,669,265	1.19
	<u>629,884,022</u>	<u>44.94</u>

Wellnex Life Limited
Shareholder information
30 June 2024

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
Homart Group Pty Ltd	83,508,573	5.96

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.