Wellnex Life Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Wellnex Life Limited
ABN:	77 150 759 363
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

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2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	57.6%	to	5,658
Loss from ordinary activities after tax attributable to the owners of Wellnex Life Limited	up	131.5%	to	(9,752)
Loss for the half-year attributable to the owners of Wellnex Life Limited	up	131.5%	to	(9,752)

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

Comments
The loss for the consolidated entity after providing for income tax amounted to $9,752,000 (31 December 2022: Loss of $4,213,000).

Financial Performance

Revenue for the period was $5.70 million a decrease of 57.6% on the prior corresponding period (31 December 2022: $13.23 million). The revenue decrease was the culmination of the Company's strategic direction to solely focus on company owned brands and contract manufacturing. Whilst the historical brokerage business generated significant income, the acquisition of the Pain Away asset in December 2023 helped to expedite the decision making process to exit from representing and growing third party brands and focusing our internal resources and finances in growing our Wellnex Life brands. The delay in the settlement of the Pain Away asset severely impacted the financial performance plans of the business in the first half of FY24, but we will see the benefits of the acquisition in the second half of FY24. IP licensing orders also slowed down during this period but will accelerate through CY24 with distribution being expanded into the Middle East and Europe and launched of additional products in our pipeline.

Loss after income tax for the half-year of $9.752 million was up 131.47% on the prior corresponding period (31 December 2022: loss of $4.21 million), with the main driver to the increased loss being non-recurring costs associated with the acquisition of Pain Away of $1.2 million, inventory provision of non-continuing brands of $0.6 million and non-cash expenses of $3.284 million related. The non-cash expenses include share based payments of $0.436 million (2022: $0.017 million), depreciation of $0.17 million (2022: $0.112 million) and an impairment expense amounting to $3.346 million. Included in these non-cash expenses is a net gain on extinguishment of convertible note liability amounting to $0.663 million. The loss for the period after adjusting for inventory provision and the costs associated with the acquisition of Pain Away including non-cash expense were on par for the prior corresponding period even with revenue significantly lower.

During the period the Company also increased its inventory investment by circa $1.9 million to circa $5.0 million, which includes Pain Away inventory. Many of our products are procured overseas with long lead times of up to 6 months. With long lead times and costs associated with smaller purchase quantities, the Company has ensured that this does not experience supply issues whilst minimising costs on inventory.

Revenue is expected to continue to be much stronger in the second half of FY24, with the completion of the Pain Away acquisition and the continued growth in our existing brands. Expansion of the Company's brands into new territories and distribution channels will help underpin the growth as will revenue from additional IP licensing arrangements. The Company posted an operating profit for February 2024, with majority of our revenue coming from our company owned brand giving the company a net margin of circa 40% from it historically being around 20%.

Financial Position

The net assets of the entity at 31 December 2023 was $6.5 million (30 June 2023: $0.6 million). The increase was mainly attributable to the completion of the Pain Away acquisition and recognised intangible assets related to the acquired brand and timing of the associated capital raising activities completed prior to 31 December 2023.

Post 31 December 2023, the Company is also completing a $3.0 million equity placement with Pearl Funds Management that will be settled in March 2024, giving the Company a strong cash platform to execute its business plan of driving revenue grow and margin improvement. As at 6 March 2024, $1 million of the equity placement has been received, with $2 million to be received during March 2024.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(1.38)	(0.67)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year financial report.

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11. Attachments

Details of attachments (if any):

The Half-year financial report of Wellnex Life Limited for the half-year ended 31 December 2023 is attached.

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12. Signed

Signed ______________________________ Date: 6 March 2024

George Karafotias
Executive Director

Wellnex Life Limited

ABN 77 150 759 363

Half-year financial report - 31 December 2023

Directors	Mario Tascone (Non-Executive Chairman) Andrew Vidler (Non-Executive Director) Jeffrey Yeh (Non-Executive Director) Zack Bozinovski (Executive Director) George Karafotias (Executive Director) Erin Jiang (Non-Executive Director)
Company secretary	Kobe Li
Registered office and principal place of business	Building 2, Level 3, Suite 69, 574 Plummer Street Port Melbourne VIC 3207 Phone: +61 3 8399 9419
Share register	Computershare Investor Registry Services Yarra Falls 452 Johnston Street Abbotsford VIC 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	Holding Redlich Level 8, 555 Bourke Street Melbourne VIC 3000
Stock exchange listing	Wellnex Life Limited securities are listed on the Australian Securities Exchange (ASX code: WNX and WNXO)
Website	https://www.wellnexlife.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Wellnex Life Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

The information in this report should be read in conjunction with the most recent annual financial report, being the report for the year ended 30 June 2023.

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

Mario Tascone (Non-Executive Chairman) (appointed 16 January 2024)
Andrew Vidler (Non-Executive Director) (appointed 16 January 2024)
Jeffrey Yeh (Non-Executive Director) (appointed 16 January 2024)
George Karafotias (Chief Executive Officer and Executive Director)
Zack Bozinovski (Executive Director)
Eric Jiang (Non-Executive Director)
Zheng (Kobe) Li (Non-Executive Director) (resigned 16 January 2024)

Principal activities
During the financial half-year the principal continuing activities of the consolidated entity consisted of marketing and selling a portfolio of premium branded products for the health and wellness market.

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

Review of operations
This period was both a challenging and transformative period for the Company, with the Company exiting its previous model of providing brokering services for third parties that added no long term value for our shareholders. This part of the business for the 6 months period ending 31 December 2023 accounted for 50% of the total revenue of circa $6 million, but was distracting our focus to develop and market our own brands including the recently acquired Pain Away brand only. The challenging capital markets resulted in numerous delays in completing the Pain Away brand acquisition which finally settled in December 2023. The resultant delay significantly impacted our sales, margins and costs for the period. The challenges in the first half of FY24 have helped lay the foundations for a strong second half of FY24 with the Company seeing record branded sales, margins and profit in February 2024 which we expect to be a basis for continued growth moving forward.

The Company during this period also undertook a thorough review of its business operations and realigned its structure to ensure that it is running as effectively and efficiently as possible without impacting our potential to continue our strong growth plans.

Wellnex identified and implemented in February 2024 circa $1.5 million in annualised savings through initiatives including employee headcount reduction and reduction in sales and marketing expenses and will continue to review our products performance to ensure improved revenue and margins are being met within the confines of the company resources.

Wellnex continues to see continued growth in its key brands and during the period increased both product offering and distribution.

1. Wagner Health Liquigesic

Wellnex Life launched Australia's first TGA approved soft gel liquid paracetamol product in a joint venture with leading retailer Chemist Warehouse under the Wagner Liquigesic brand. This brand continues to go from strength to strength with the addition of 3 new products being launched into the market in CY24.

2. The Iron Company

Wellnex Life launched Australia's first slow-release iron gummy under the brand The Iron Company, which continues to show strong momentum in the growing iron segment of the complementary medicine category. The Company is currently working on further expanding the product offering under this brand.

3. Wakey Wakey

Wellnex Life continues to see growth of this brand with an additional 4 products launched during the period that have been successfully ranged in all major pharmacy and grocery retailers. Wellnex is currently preparing for a new and exciting launch under this brand in the middle of CY24.

4. Nighty Night

Wellnex Life during the period launched a unique and innovative sleep aid effervescent under the brand Nighty Night. This brand compliments the Wakey Wakey brand and has secured ranging in all retailers currently selling the Wakey Wakey brand. Initial sales for this brand have been strong and we expect this to continue over the next 12 months as the brand establishes its unique consumer offer.

5. Pain Away

Since the acquisition of Pain Away brand in December 2023, the Company has seen the benefit of the acquired brand with first sales commencing mid-January 2024 and in the six week period till the end of February 2024 generating circa $1.7 million at a net margin in excess of 40% and pushing the company into a profitable position for the month of February 2024.

Contract Manufacturing

Wellnex Life continues to grow it relationships with its IP licensing partners with new product offerings and global distribution expansion into the European and Middle East markets. This growth will see an acceleration of our revenue for the remainder of CY24.

Other matters

Wellnex Life during the period refinanced the convertible notes with the new terms being a coupon rate of 13%, converting at $0.08 per share and expiring 30 June 2025, as approved by shareholders at the Company's 2023 Annual General Meeting. The full details of the variation were included in the Notice of Annual General meeting and are also referred to in this financial report. The Company can redeem the convertible note at any time after March 2024 with the payment of 3 months interest. 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 change in the convertible notes were considered a substantial modification with further detail included in note 9 to the half year financial report.

Financial Performance

Revenue for the period was $5.70 million a decrease of 57.6% on the prior corresponding period (31 December 2022: $13.23 million). The revenue decrease was the culmination of the Company's strategic direction to solely focus on company owned brands and contract manufacturing. Whilst the historical brokerage business generated significant income, the acquisition of the Pain Away asset in December 2023 helped to expedite the decision making process to exit from representing and growing third party brands and focusing our internal resources and finances in growing our Wellnex Life brands. The delay in the settlement of the Pain Away asset severely impacted the financial performance plans of the business in the first half of FY24, but we will see the benefits of the acquisition in the second half of FY24. IP licensing orders also slowed down during this period but will accelerate through CY24 with distribution being expanded into the Middle East and Europe and launched of additional products in our pipeline.

Loss after income tax for the half-year of $9.752 million was up 131.47% on the prior corresponding period (31 December 2022: loss of $4.21 million), with the main driver to the increased loss being non-recurring costs associated with the acquisition of Pain Away of $1.2 million, inventory provision of non-continuing brands of $0.6 million and non-cash expenses of $3.284 million related. The non-cash expenses include share based payments of $0.436 million (2022: $0.017 million), depreciation of $0.17 million (2022: $0.112 million) and an impairment expense amounting to $3.346 million. Included in these non-cash expenses is a gain on extinguishment of convertible note liability amounting to $0.663 million. The loss for the period after adjusting for inventory provision and the costs associated with the acquisition of Pain Away including non-cash expense were on par for the prior corresponding period even with revenue significantly lower.

During the period the Company also increased its inventory investment by circa $1.9 million to circa $5.0 million, which includes Pain Away inventory. Many of our products are procured overseas with long lead times of up to 6 months. With long lead times and costs associated with smaller purchase quantities, the Company has ensured that this does not experience supply issues whilst minimising costs on inventory.

Revenue is expected to continue to be much stronger in the second half of FY24, with the completion of the Pain Away acquisition and the continued growth in our existing brands. Expansion of the Company's brands into new territories and distribution channels will help underpin the growth as will revenue from additional IP licensing arrangements. The Company posted an operating profit for February 2024, with majority of our revenue coming from our company owned brand giving the company a net margin of circa 40% from it historically being around 20%.

Financial Position

The net assets of the entity at 31 December 2023 was $6.5 million (30 June 2023: $0.6 million). The increase was mainly attributable to the completion of the Pain Away acquisition and recognised intangible assets related to the acquired brand and timing of the associated capital raising activities completed prior to 31 December 2023.

Post 31 December 2023, the Company is also completing a $3.0 million equity placement with Pearl Funds Management that will be settled in March 2024, giving the Company a strong cash platform to execute its business plan of driving revenue grow and margin improvement. As at 6 March 2024, $1 million of the equity placement has been received, with $2 million to be received during March 2024.

Significant changes in the state of affairs

The following significant changes in the state of affairs took place during the period:

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

- Capital raise completed by Wellnex Limited on 18 July 2023 by way of issuance of 9,563,120 shares at 5 cents (0.05), and on 13 October 2023, 3 November 2023, 14 December 2023, 15 December 2023, 20 December 2023 by way of issuance of 649,693,294 shares at 2.8 cents (0.028) collecting gross proceeds of $8,669,568. The primary objective of the capital raise was to raise funds to finalise acquisition of the Pain Away brand.

- On 10 November 2023, the Group entered into a Second Deed of Variation to vary its convertible notes to the following:

  (a) Conversion price: the conversion price be reduced from $0.21 to $0.08;
  (b) Coupon rate: the coupon rate be increased from 9% to 13%, for the period from 6 October 2023 until the maturity date;
  (c) Maturity Date: the maturity date be extended by 12 months to 21 June 2025; and
  (d) 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.

- On 18 December 2023, the Group announced that it had completed the acquisition the of Pain Away brand:
  (a) Consideration paid was to acquire the brand asset only, consisting of both cash payments amounting to $15.5 million and shares issued with a deemed value of $1.36 million and shares;
  (b) The remaining cash payments to be made amounting to $5.65 million are to be made within the next 18 months.

Matters subsequent to the end of the financial half-year

On 16 January 2024, Wellnex formally appointed Mr Mario Tascone as Non-Executive Chair. Wellnex also formally appointed Mr Andrew Vidler and Mr Jeffrey Yeh as Non-Executive Directors.

On 15 February 2024 the Company issued 20 million options exercisable at $0.05 on or before 1 January 2026, in relation to the variation of the convertible note deeds, as approved by shareholders at the Company's 2023 Annual General Meeting.

On 18 December 2023, Wellnex entered into a binding commitment with Pearl Funds Management to increase their investment from $2.0 million to $3.0 million on the same terms of the entitlement issue conducted for the acquisition of Pain Away ($0.028 per share and a 1:3 attaching option at $0.05 expiring 30 June 2025). This represents an 11% premium to the last traded price and reflects the increased confidence in the business since the acquisition of the Pain Away brand. The first tranche of the placement has been received by the company with the balance of $2.0 million to be received in March 2024.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Rounding of amounts

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

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George Karafotias
Executive Director

6 March 2024

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 review of Wellnex Life Limited for the half-year ended 31 December 2023, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

William Buck

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

R. P. Burt
Director
Melbourne, 6 March 2024

Wellnex Life Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 December 2023 $'000	Consolidated 31 December 2022 $'000
Revenue from sale of goods	5	5,658	13,225
Cost of sales		(5,008)	(11,128)
Gross profit		650	2,097
Other income		95	340
Net gain on extinguishment of convertible note liability	8	663	-
Expenses			
Administrative and corporate expenses		(2,874)	(2,948)
Share based payments expense		(436)	(17)
Employee benefits expense		(2,316)	(2,109)
Selling, marketing and distribution expenses		(1,325)	(913)
Depreciation and amortisation expense		(165)	(112)
Impairment of intangibles	6	(3,346)	-
Finance costs		(698)	(551)
Loss before income tax expense		(9,752)	(4,213)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Wellnex Life Limited		(9,752)	(4,213)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Wellnex Life Limited		(9,752)	(4,213)
		Cents	**Cents**
Basic loss per share	14	(1.93)	(1.29)
Diluted loss per share	14	(1.93)	(1.29)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 31 December 2023 $'000	30 June 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		268	322
Trade and other receivables		2,904	4,598
Inventories		4,948	3,029
Prepayments and other assets		943	3,428
Total current assets		9,063	11,377
Non-current assets			
Property, plant and equipment		39	48
Right-of-use assets		98	153
Intangibles	6	21,430	3,462
Total non-current assets		21,567	3,663
Total assets		30,630	15,040
Liabilities			
Current liabilities			
Trade and other payables		9,941	7,111
Borrowings	7	2,183	6,788
Lease liabilities		106	110
Employee benefit provisions		378	287
Deferred consideration	9	2,900	-
Total current liabilities		15,508	14,296
Non-current liabilities			
Borrowings	8	5,723	-
Lease liabilities		-	52
Employee benefits provisions		135	98
Deferred consideration	9	2,750	-
Total non-current liabilities		8,608	150
Total liabilities		24,116	14,446
Net assets		6,514	594
Equity			
Issued capital	10	127,565	112,424
Reserves		1,913	3,727
Accumulated losses		(122,964)	(115,557)
Total equity		6,514	594

The above statement of financial position should be read in conjunction with the accompanying notes

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 half-year	-	-	-	(4,213)	(4,213)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(4,213)	(4,213)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	7,498	198	-	-	7,696
Share-based payments	-	17	-	-	17
Balance at 31 December 2022	110,118	3,188	477	(105,924)	7,859

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 half-year	-	-	-	(9,752)	(9,752)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(9,752)	(9,752)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 10)	15,141	-	-	-	15,141
Transfer to retained earnings from option reserve	-	(2,345)	-	2,345	-
Share based payments	-	436	-	-	436
Issue of options for extension of convertible note	-	95	-	-	95
Balance at 31 December 2023	127,565	1,436	477	(122,964)	6,514

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 half-year ended 31 December 2023

	Note	Consolidated 31 December 2023 $'000	Consolidated 31 December 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,176	12,826
Payments to suppliers and employees (inclusive of GST)		(10,589)	(14,688)
Interest received		2	5
Interest and other finance costs paid		(406)	(444)
Net cash used in operating activities		(3,817)	(2,301)
Cash flows from investing activities			
Loans provided for One Life joint venture		(50)	-
Payments for plant and equipment		-	(15)
Payments for intangibles	12	(13,300)	(632)
Net cash used in investing activities		(13,350)	(647)
Cash flows from financing activities			
Proceeds from issue of shares		15,630	5,966
Transaction costs for capital raising and issuance of shares		(1,764)	(574)
Proceeds from borrowings including related party loans		5,519	6,777
Repayment of borrowings including related party loans		(2,216)	(7,999)
Payment of lease liabilities		(56)	(85)
Net cash from financing activities		17,113	4,085
Net increase/(decrease) in cash and cash equivalents		(54)	1,137
Cash and cash equivalents at the beginning of the financial half-year		322	3,181
Cash and cash equivalents at the end of the financial half-year		268	4,318

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

Note 1. General information

The financial statements cover Wellnex Life Limited as a consolidated entity consisting of Wellnex Life Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Wellnex Life Limited's functional and presentation currency.

Wellnex Life Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Building 2, Level 3, Suite 69,
574 Plummer Street
Port Melbourne VIC 3207

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 6 March 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity, other than as disclosed in the financial statements.

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 $9,752,000 during the half year ended 31 December 2023 (2022: loss of $4,213,000), a net current asset deficiency of $6,445,000 (30 June 2023: $2,919,000) and the net cash used in operating activities was $3,817,000 (2022: $2,301,000 net outflow) as at 31 December 2023. The cash balance as at 31 December 2023 was $268,000 (30 June 2023: $322,000).

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

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

Note 2. Material accounting policy information (continued)

- The consolidated entity completed the acquisition of a leading brand, Pain Away, on 18 December 2023 which resulted in the Company being a substantial participant in the exciting and growing wellness market.
- On 18 December 2023, the Company announced that it had entered into a binding commitment with Pearl Funds Management to increase their investment from $2.0 million to $3.0 million on the same terms of the entitlement issue conducted for the acquisition of Pain Away ($0.028 per share and a 1:3 attaching option at $0.05 expiring 30 June 2025). This represents an 11% premium to the last traded price and reflects the increased confidence in the business since the acquisition of Pain Away. The first part of the placement has been received by the company with the balance of $2.0 million to be received in March 2024.
- the Company's convertible note payable has been extended to June 2025.
- Director loans amounting to $1.7 million will not be repayable unless the Company has sufficient cash resources to repay.
- In February 2024 the Company implemented a reduction of circa $1.5 million in annualised savings through initiatives including employee headcount reduction and reduction in sales and marketing expenses and will continue to review our products performance to ensure improved revenue and margins are being met within the confines of the company resources.
- The Company and Haleon received regulatory approval for the sale of the innovative paracetamol sift gel liquid analgesic for the United Kingdom market. This will in turn increase sales for the Company's in the United Kingdom.
- the Company is an ASX-listed entity it has the ability to raise additional funds if required.

Cash flow forecasts prepared by management indicate that the Group will have sufficient funds to meet commitments over the next twelve months from the date of this report.

In the event that the consolidated entity is unable to achieve the outcomes noted above and not be able to continue as a going concern, it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

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 next financial year are discussed below.

Share-based payment transactions
Unless noted otherwise, the consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, as well as the terms and conditions upon which the instruments were granted.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

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

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 set out in the Notes to the financial statements for the year ended 31 December 2023. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and 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.

All revenues of the consolidated entity are recognised at a point in time for all revenue types. The Company currently has one operating segment as at 31 December 2023.

Note 5. Revenue from sale of goods

	Consolidated	
	31 December 2023 $'000	31 December 2022 $'000
Sales revenue		
Goods transferred at a point in time	5,658	13,225
Revenue from sale of goods	5,658	13,225

Note 6. Non-current assets - intangibles

	Consolidated 31 December 2023 $'000	30 June 2023 $'000
Goodwill - at cost	5,004	5,004
Less: Impairment	(5,004)	(4,011)
	-	993
Patents and trademarks - at cost	132	130
Less: Accumulated amortisation	(64)	(41)
	68	89
Brands - at cost (1)	22,996	1,636
Less: Impairment	(1,636)	-
	21,360	1,636
Customer Relationships - at cost	276	276
Less: Accumulated amortisation	(276)	(55)
	-	221
Formation costs	604	604
Less: Accumulated amortisation	(602)	(81)
	2	523
	21,430	3,462

(1) As at 31 December 2023, the group completed the acquisition of the Pain Away brand for total consideration of $21.36m.'

<u>Impairment testing for CGUs containing goodwill</u>

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 financial statements 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 $3.369 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%).

Note 6. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Patents and trademarks $'000	Brands $'000	Customer Relationships $'000	Formation costs $'000	Total $'000
Balance at 1 July 2023	993	89	1,636	221	523	3,462
Additions	-	-	21,360	-	-	21,360
Impairment expense	(993)	-	(1,636)	(221)	(519)	(3,369)
Amortisation expense	-	(21)	-	-	(2)	(23)
Balance at 31 December 2023	-	68	21,360	-	2	21,430

Note 7. Current liabilities - Borrowings

	Consolidated 31 December 2023 $'000	Consolidated 30 June 2023 $'000
Borrowings	2,183	6,788

Included in the outstanding borrowings, are amounts due and payable to related parties of the Company of $1,762,000. See Note 11 for further information. Other borrowings include the Company's trade and debtor facility as described below.

Trade and debtor facility

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

- total value of financing facility: $5,300,000
- term: minimum of 24 month to July 2024
- amount drawn down as at 31 December 2023: $2,183,000
- 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

Note 8. Non-current liabilities - Borrowings

	Consolidated 31 December 2023 $'000	Consolidated 30 June 2023 $'000
Convertible notes payable	5,723	-

At the Company's Annual General Meeting held on 14 December 2023, the Company sought shareholder approval for a variation to the Convertible Notes payable. The original terms and revised terms are noted below:

Note 8. Non-current liabilities - Borrowings (continued)

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.

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.

Note 9. Non-current liabilities - Deferred consideration

In accordance with the acquisition agreement the parties have agreed that the balance of cash consideration for the acquisition ($5.65 million) is to be deferred, and paid in two instalments, $2.9 million payable in October 2024 and $2.75 million payable in April 2025, respectively (Deferred Consideration), with the possibility to pay the Deferred Consideration earlier. Default interest will be payable if the Company fails to meet the relevant payment deadlines.

As at 31 December 2023, the Company has accounted for $2.90 million as a current liability and $2.75 million as a non-current liability.

Note 10. Equity - issued capital

	Consolidated			
	31 December 2023 Shares	30 June 2023 Shares	31 December 2023 $'000	30 June 2023 $'000
Ordinary shares - fully paid	1,082,975,604	423,719,190	127,565	112,424

Note 10. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
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 (2nd)	13 October 2023	34,000,000	$0.028	952
Issue of shares to 365 Health as part of purchase consideration for Pain Away asset acquisition (a)	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 of Pain Away (3rd) (b)	20 December 2023	34,571,428	$0.028	968
Issue of shares to 365 Health for management services	20 December 2023	20,000,000	$0.028	560
Capital Raising costs		-	-	(1,608)
Shares paid in prior period subsequently issued				(1,920)
Balance	31 December 2023	1,082,975,604		127,565

(a) 20,000,000 ordinary shares were issued reflected consideration paid to the vendor of Pain Away
(b) 28,571,428 ordinary shares were issued reflected consideration paid to the vendor of Pain Away

The consideration paid was at $0.028 and reflected $1,359,999 as disclosed in Note 12.

Note 11. Related party transactions

Transactions with related parties
With the exception of the shareholder loan transactions described below, there were no transactions with related parties during the current and previous financial year.

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

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Current payables:		
Loan from George Karafotias	738	-
Loan from Zack Bozinovski	924	-
Total	**1,662**	**-**

Terms and conditions
All loans provided to the Company were unsecured and bear no interest and were made on normal commercial terms.

Note 12. Asset Acquisition

Acquisition of Pain Away brand asset
On 18 December 2023 the Company announced completion of the 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 Pain Away Transaction was formally documented under a sale agreement dated 19 May 2023 (**Original Sale Agreement**). An initial deposit amount was paid of $2.2 million during the year ended 30 June 2023.

On 1 September 2023, the Company announced that the parties to the Pain Away transaction were in the process of negotiating revised terms of the Pain Away Transaction. On 5 October 2023, the Company announced that revised terms for the Pain Away Transaction had been agreed between the parties and formally documented in a replacement sale agreement (**Sale Agreement**), for total consideration of $21.4 million cash including 48.5 million Ordinary Shares. The revised terms in the Sale Agreement reduced the upfront cash payment to be made on completion of the Pain Away transaction, with the parties having agreed to a portion of the consideration to be settled as Deferred Consideration.

The identifiable net assets acquired are detailed below:

	$'000
Brand asset	21,360
Inventory	1,150
Acquisition-date total consideration transferred	22,510
Cash used to acquire the brand asset, net of cash acquired:	
Less: cash and cash equivalents	(15,500)
Less: deferred consideration	(5,650)
Less: shares issued by company as part of consideration (see note 10)	(1,360)
Consideration paid	(22,510)

Contribution to the Consolidated Entity's result

Pain Away did not contribute material revenues or profit to the Group from the date of the acquisition to 31 December 2023 as the acquisition completed on 18 December 2023.

Note 13. Events after the reporting period

On 16 January 2024, Wellnex formally appointed Mr Mario Tascone as Non-Executive Chair. Wellnex also formally appointed Mr Andrew Vidler and Mr Jeffrey Yeh as Non-Executive Directors.

On 15 February 2024 the Company issued 20 million options exercisable at $0.05 on or before 1 January 2026, in relation to the variation of the convertible note deeds, as approved by shareholders at the Company's 2023 Annual General Meeting.

On 18 December 2023, Wellnex entered into a binding commitment with Pearl Funds Management to increase their investment from $2.0 million to $3.0 million on the same terms of the entitlement issue conducted for the acquisition of Pain Away ($0.028 per share and a 1:3 attaching option at $0.05 expiring 30 June 2025). This represents an 11% premium to the last traded price and reflects the increased confidence in the business since the acquisition of the Pain Away brand. The first tranche of the placement has been received by the company with the balance of $2.0 million to be received in March 2024.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 14. Loss per share

	Consolidated	
	31 December 2023 $'000	31 December 2022 $'000
Loss after income tax attributable to the owners of Wellnex Life Limited	(9,752)	(4,213)
	Cents	**Cents**
Basic loss per share	(1.93)	(1.29)
Diluted loss per share	(1.93)	(1.29)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	505,693,998	326,414,934
Weighted average number of ordinary shares used in calculating diluted earnings per share	505,693,998	326,414,934

The dilutive impact of loan funded shares has not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as it does not meet the requirements for inclusion in AASB 133 'Earnings Per Share'. The rights to these loan funded shares are non-dilutive as the consolidated entity is loss generating.

Note 15. Share-based payments

Performance rights

On 29 November 2022 the Company issued 15 million performance rights to Directors following receipt of approval at the Annual General Meeting held on 29 November 2022. These performance rights have market based vesting conditions and are being expensed over the life of the performance rights. An amount of $278,754 has been recorded in the current period relating to these performance rights.

Options

During the period the Company accounted for options issued in a prior period with the expense amounting to $157,590.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and

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

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

George Karafotias
Executive Director

6 March 2024

William Buck
ACCOUNTANTS & ADVISORS

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

Report on the half-year financial report

Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Wellnex Life Limited (the Company), and its controlled entities (together, the Group) does not comply with the *Corporations Act 2001*, including:

— giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and

— complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

— the consolidated statement of financial position as at 31 December 2023,

— the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,

— the consolidated statement of changes in equity for the half-year then ended,

— the consolidated statement of cash flows for the half-year then ended,

— notes to the financial statements, including material accounting policy information, and

— the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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WilliamBuck
ACCOUNTANTS & ADVISORS

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the half-year financial report which indicates that the Group during the half-year ended 31 December 2023 incurred a net loss before income tax of $9,752,000, a net current asset deficiency of $6,445,000 and net operating cash outflows of $3,817,000 as at 31 December 2023. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

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

R. P. Burt
Director
Melbourne, 6 March 2024