

Wellnex Life Limited
(Formerly known as Wattle Health Australia Limited)
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Wellnex Life Limited
ABN:	77 150 759 363
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$'000
Revenue and other income from ordinary activities	up	29.6% to	1,434
Loss from ordinary activities after tax attributable to the owners of Wellnex Life Limited	down	46.0% to	(24,965)
Loss for the year attributable to the owners of Wellnex Life Limited	down	46.0% to	(24,965)

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 and non-controlling interest amounted to \$24,965,000 (30 June 2020: \$46,266,000).

Financial Performance

Revenue and other income from ordinary activities for the period was \$1.43 million (30 June 2020: \$0.93 million), an increase of 29.6% with growth in distribution of both Uganic and Little Innoscents. Cash loss from operations for the period was \$4.45 million (30 June 2020: \$7.57 million) a decrease of 41.3% and a decrease of 65% on 30 June 2019. This is primarily due to the continued restructuring of the business and a prudent capital management program.

The loss for the period attributable to holding company shareholders was \$24.96 million (30 June 2020: \$46.27 million) a decrease of 46.0% primarily driven by the disposal of Corio Bay Dairy Group (CBDG) and associated expenses.

Financial Position

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

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

Review of operations

Year of strategic realignment and transformation

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

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

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Brand and Revenue Expansion

The acquisition of BSA has increased and diversified its product offering to over 15 brands in the health and wellness market, including a joint venture brand with Chemist Warehouse.

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

The company with the acquisition of BSA has an annualised revenue of circa \$20 million and a recapitalised balance sheet with the sale of the Corio Bay Dairy Group Asset and the conversion of liabilities to equity.

Corio Bay Dairy Group

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

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

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

Recapitalised Balance Sheet

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

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

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

Other matters

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

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.295)</u>	<u>3.580</u>

4. Control gained over entities and date control gained

Not applicable.

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5. Loss of control over entities

Name of entities (or group of entities)

Corio Bay Dairy Group Pty Ltd
Shanghai Wattle Health Trading Company Limited

Date control lost

21 August 2020
24 May 2021

	Corio Bay Dairy Group Pty Ltd \$'000	Shanghai Wattle Health Trading Company Limited \$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	(8,364)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)	(497)	-

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

Not applicable.

10. Audit qualification or review

This report, and the accompanying financial statements, are based upon accounts which are in the process of being audited.

11. Attachments

Unaudited summary consolidated financial statements for Wellnex Life Limited and its controlled entities for the year ended 30 June 2021 are attached.

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12. Signed

Signed  _____

George Karafotias
Managing Director

Date: 31 August 2021

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Wellnex Life Limited

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ABN 77 150 759 363

Summary Financial Information - 30 June 2021

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Wellnex Life Limited
(Formerly known as Wattle Health Australia Limited)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

		Consolidated	
	Note	30 June 2021	30 June 2020
		\$'000	\$'000
Revenue		1,195	934
Other income		239	114
Interest revenue calculated using the effective interest method		-	59
Expenses			
Raw materials and consumables used		(1,360)	(487)
Administrative and corporate expenses		(2,795)	(3,431)
Share based payments issued to third parties	5	(2,345)	(1,641)
Employee benefits expense		(1,281)	(2,271)
Selling, marketing and distribution expenses		(1,981)	(2,072)
Depreciation and amortisation expense		(83)	(226)
Loss on disposal of CBDG	2	(8,346)	-
Loss on acquisition of non-controlling interest of Little Innoscents	3	(277)	-
Impairment of assets	4(a)	(636)	(11,333)
Movement in fair value of investments	4(b)	(1,100)	(5,027)
Impairment of plant and equipment		-	(27,842)
Transaction termination fee (share based payment)		-	(11,360)
Finance costs		(1,626)	(860)
Loss before income tax expense		(20,396)	(65,443)
Income tax expense		-	-
Loss after income tax expense for the year		(20,396)	(65,443)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		<u>(20,396)</u>	<u>(65,443)</u>
Loss for the year is attributable to:			
Non-controlling interest		4,569	(19,177)
Owners of Wellnex Life Limited		(24,965)	(46,266)
		<u>(20,396)</u>	<u>(65,443)</u>
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		4,569	(19,177)
Owners of Wellnex Life Limited		(24,965)	(46,266)
		<u>(20,396)</u>	<u>(65,443)</u>
		Cents	Cents
Basic loss per share		(10.23)	(22.61)
Diluted loss per share		(10.23)	(22.61)

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

Wellnex Life Limited
(Formerly known as Wattle Health Australia Limited)
Statement of financial position
As at 30 June 2021

		Consolidated	
	Note	30 June 2021	30 June 2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		7,775	1,118
Trade and other receivables	6	886	831
Finished goods inventory	7	664	951
Investments		-	25
Prepayments and other	8	493	342
Total current assets		<u>9,818</u>	<u>3,267</u>
Non-current assets			
Other financial assets	9	-	1,121
Property, plant and equipment	10	-	13,503
Right-of-use assets	11	125	742
Intangibles	12	479	487
Other		-	107
Total non-current assets		<u>604</u>	<u>15,960</u>
Total assets		<u>10,422</u>	<u>19,227</u>
Liabilities			
Current liabilities			
Trade and other payables	13	1,266	10,510
Borrowings	14	9,175	4,121
Lease liabilities	15	30	225
Employee benefit provisions		76	93
Total current liabilities		<u>10,547</u>	<u>14,949</u>
Non-current liabilities			
Borrowings	16	-	906
Lease liabilities	17	103	544
Employee benefit provisions		21	7
Total non-current liabilities		<u>124</u>	<u>1,457</u>
Total liabilities		<u>10,671</u>	<u>16,406</u>
Net assets/(liabilities)		<u>(249)</u>	<u>2,821</u>
Equity			
Issued capital	18	91,726	91,726
Reserves	19	2,512	12,233
Accumulated losses		(94,487)	(81,755)
Equity/(deficiency) attributable to the owners of Wellnex Life Limited		(249)	22,204
Non-controlling interest		-	(19,383)
Total equity/(deficiency)		<u>(249)</u>	<u>2,821</u>

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

Wellnex Life Limited
(Formerly known as Wattle Health Australia Limited)
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital \$'000	Share-based payment reserve \$'000	Convertible loan reserve \$'000	Accumulated losses attributable to owners of the Parent entity \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2019	74,900	12,233	-	(35,489)	(206)	51,438
Loss after income tax expense for the year	-	-	-	(46,266)	(19,177)	(65,443)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(46,266)	(19,177)	(65,443)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 18)	16,826	-	-	-	-	16,826
Balance at 30 June 2020	<u>91,726</u>	<u>12,233</u>	<u>-</u>	<u>(81,755)</u>	<u>(19,383)</u>	<u>2,821</u>

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

Wellnex Life Limited
(Formerly known as Wattle Health Australia Limited)
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital \$'000	Share-based payment reserve \$'000	Convertible loan reserve \$'000	Accumulated losses attributable to owners of the Parent entity \$'000	Non-controlling interest \$'000	Total deficiency in equity \$'000
Balance at 1 July 2020	91,726	12,233	-	(81,755)	(19,383)	2,821
Profit/(loss) after income tax expense for the year	-	-	-	(24,965)	4,569	(20,396)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income profit/(loss) for the year	-	-	-	(24,965)	4,569	(20,396)
Reserve relating to new compound financial instruments	-	-	167	-	-	167
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	2,345	-	-	-	2,345
Expiry of employee Loan Share Plan shares	-	(12,233)	-	12,233	-	-
Derecognition of non-controlling interest upon deconsolidation of Corio Bay Dairy Group	-	-	-	-	14,737	14,737
Derecognition of non-controlling interest upon full acquisition of Little Innoscents	-	-	-	-	77	77
Balance at 30 June 2021	<u>91,726</u>	<u>2,345</u>	<u>167</u>	<u>(94,487)</u>	<u>-</u>	<u>(249)</u>

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

Wellnex Life Limited
(Formerly known as Wattle Health Australia Limited)
Statement of cash flows
For the year ended 30 June 2021

Note	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities		
	1,271	1,119
Receipts from customers (inclusive of GST)		
	(5,556)	(8,853)
Payments to suppliers and employees (inclusive of GST)		
	-	58
Interest received		
	(222)	(8)
Interest and other finance costs paid		
	62	114
Government grants		
	<u>(4,445)</u>	<u>(7,570)</u>
Net cash used in operating activities		
Cash flows from investing activities		
	(666)	(2,981)
Payments for investments		
	(791)	(23,765)
Payments for plant construction		
	11,000	-
Proceeds received from the disposal of the CBDG assets		
	-	9,824
Proceeds from term deposits - current		
	(91)	-
Relinquishment of cash upon deconsolidation of CBDG		
	<u>9,452</u>	<u>(16,922)</u>
Net cash from/(used in) investing activities		
Cash flows from financing activities		
	-	4,160
Proceeds from issue of shares		
	3,311	3,665
Proceeds from borrowings		
	(1,139)	(508)
Transaction costs related to issues of equity securities or convertible debt securities		
	(370)	-
Transaction costs related to loans and borrowings		
	(81)	-
Share applications refunded		
	-	81
Share applications to be refunded		
	(71)	(116)
Repayment of lease liabilities		
	<u>1,650</u>	<u>7,282</u>
Net cash from financing activities		
	6,657	(17,210)
Net increase/(decrease) in cash and cash equivalents		
	1,118	18,317
Cash and cash equivalents at the beginning of the financial year		
	-	11
Effects of exchange rate changes on cash and cash equivalents		
	<u>7,775</u>	<u>1,118</u>
Cash and cash equivalents at the end of the financial year		

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

Wellnex Life Limited
(Formerly known as Wattle Health Australia Limited)
Notes to the financial statements
30 June 2021

Note 1. Significant accounting policies

This financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2020, the 31 December 2020 half-year financial report and any public announcements made by the Consolidated entity during the 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.

Note 2. Loss on disposal of Corio Bay Dairy Group

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

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

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

Note 3. Expenses - write off premium on acquisition of non-controlling interest of Little Innoscents

In February 2021 the Company acquired the remaining 20% of Little Innoscents Pty Ltd (Little Innoscents) it did not already own for \$200,000, taking its ownership of Little Innoscents to 100%. In doing so, the Company paid a premium of \$277,000 for this acquisition which it has chosen to recognise as an expense in the consolidated financial statements for the financial year ended 30 June 2021.

Note 4. Expenses - Impairment and fair value adjustments of assets

(a) Impairment of assets

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Notes to the financial statements
30 June 2021

Note 4. Expenses - Impairment and fair value adjustments of assets (continued)

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

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

- Further impairment to loan receivable from Corio Bay Dairy Group Pty Ltd, following review of recoverability at 30 June 2021.
- In relation to impairments recorded in the financial year ended 30 June 2020, refer to the 30 June 2020 annual report of the consolidated entity for further information that has already been disclosed to the market.

(b) Fair value losses recognised on investments

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

Details of items above are as follows:

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

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Notes to the financial statements
30 June 2021

Note 5. Share based payments

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

Note 6. Current assets - trade and other receivables

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

The Amount receivable from administrator of Corio Bay Dairy Group Pty Ltd reflects the estimated remaining funds the Company expects to receive from the administration of its former debtor Corio Bay Dairy Group Pty Ltd (CBDG). The amount is currently held on trust for the Company by the administrator of CBDG.

Note 7. Current assets - Finished goods inventory

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
Inventory - finished goods	<u>664</u>	<u>951</u>

Note 8. Current assets - Prepayments and other

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
Prepayments	27	342
Other current assets	466	-
	<u>493</u>	<u>342</u>

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

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Note 9. Non-current assets - other financial assets

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

Refer Note 4(b) for information about the losses recorded in year ending 30 June 2021 from the reassessment of fair values of the investments in Blend and Pack Pty Ltd (Blend & Pack) and The Remarkable Milk Company Pty Ltd (Remarkable Milk Company).

Note 10. Non-current assets - property, plant and equipment

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

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

Land at cost, and Property, plant and equipment under construction as at 30 June 2020 comprised the accumulated costs of land acquisition, preparation and construction work on the organic nutritional milk spray drying plant, being constructed for Corio Bay Dairy Group Pty Ltd (CBDG). Following the deconsolidation of CBDG during the reporting period, these assets are no longer assets of the consolidated entity.

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Notes to the financial statements
30 June 2021

Note 11. Non-current assets - right-of-use assets

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

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

Note 12. Non-current assets - intangibles

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

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

Note 13. Current liabilities - trade and other payables

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

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Notes to the financial statements
30 June 2021

Note 14. Current liabilities - borrowings

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
Loans - other	-	4,121
Convertible loans	9,175	-
	<u>9,175</u>	<u>4,121</u>

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

(i) Shareholder loans

- a loan of \$1,600,000 made by a major shareholder of the Company, who is a non-related entity of the consolidated entity. The loan is unsecured, is interest-free and is repayable at call;
- a loan of \$375,000 by a non-related entity. The loan is unsecured, is interest-free and is repayable at call;
- funds totalling \$2,055,000 advanced to the Company by existing shareholders. These advances are unsecured, interest-free and repayable at call.

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

(ii) Loan - Niche Diary Pty Ltd

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

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

(iii) Convertible loans payable

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

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

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

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Note 14. Current liabilities - borrowings (continued)

The balance at 30 June 2021 reflects the fair value of this liability at that date and reflects its convertibility into shares.

Note 15. Current liabilities - lease liabilities

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

Note 16. Non-current liabilities - borrowings

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

The Niche Dairy Pty Ltd loan was reclassified as a current liability during the year ended 30 June 2021 - refer Note 14.

Note 17. Non-current liabilities - lease liabilities

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

Note 18. Equity - issued capital

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

Note 19. Equity - Reserves

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
Share-based payments reserve	2,345	12,233
Convertible loan reserve	167	-
	<u>2,512</u>	<u>12,233</u>

Share-based payments reserve

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

Convertible loan reserve

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

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Note 19. Equity - Reserves (continued)

Movements in reserves

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

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

Note 20. Contingent liabilities

Chemist Warehouse share issue agreement

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

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

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

Corio Bay Dairy Group Pty Ltd liquidation

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

Note 21. Commitments

Chemist Warehouse marketing support

Committed at the reporting date but not recognised as liabilities, payable:

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
Within one year	1,200	1,200
One to five years	3,300	4,500
	<u>4,500</u>	<u>5,700</u>

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

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Note 22. Events after the reporting period

1 July 2021 – Wellnex Life completed the acquisition of established brand and distribution company, Brand Solutions Australia via the issue of 13,333,667 fully paid ordinary shares and the payment of \$2.75 million cash.

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

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

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

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

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

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

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

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

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

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

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.