

## SEPTEMBER 2020 QUARTERLY REPORT

Wellfully Limited (ASX: WFL) (Wellfully or the Company) is pleased to provide an overview of its activities for the September 2020 quarter.

### OPERATIONS

#### *Device Business*

The Company announced the launch of RÉDUIT's skincare range in August. The RÉDUIT brand was established in Neuchâtel, Switzerland, specifically to commercialise Wellfully's enhanced drug delivery technologies in the luxury beauty space. It launched the RÉDUIT Spa applicator device and two Skinpods™: Clean Vapor and Hydro Boost, a cleanser and a moisturiser. 10 additional Skinpods™ were launched through September and October 2020. With skincare applications RÉDUIT is more than doubling its target market, as alongside the US\$42 billion haircare market the new range will now also be competing in the US\$78 billion market for skincare<sup>1</sup>.

Skincare represents the next frontier of applications for RÉDUIT's Ultrasonic Diffusion and Magnetic Misting technology, which originated within the Company's enhanced drug deliveries portfolio. Combining the two technologies with the Skinpods™ platform, the range meets the needs of those consumers seeking performance with no compromise, both in terms of results and sustainability. As with its haircare range, the skincare range will also be included in RÉDUIT's Return & Renew and worldwide delivery services portfolio.

In addition to sales on RÉDUIT's own site, and a number of global marketplaces, the company negotiated a number of placements of the new products with international retailers, in time for the upcoming holiday season.

In September, Wellfully announced it had agreed to supply terms for and launch its RÉDUIT brand with The Hut Group (THG), one of the world's most reputable beauty ecommerce operators.

The collaboration will enable RÉDUIT to continue its market expansion and growth strategy. The alliance will expose the brand to THG's e-commerce network covering market-leading platforms such as lookfantastic.com, hqhair.com, skinstore.com and ry.com.au, with a consumer reach of over 12 million<sup>2</sup> premium beauty visitors per month across the globe.

With revenues of approximately GBP 1.14 billion<sup>3</sup>, THG is one of the largest beauty e-commerce operators globally with a substantial expertise in the device and beauty technology category.

<sup>1</sup> L'Oréal estimate of the global cosmetics market in 2018 based on manufacturers' net prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects (2018 Annual Report).

<sup>2</sup> similarweb.com, September 2020

<sup>3</sup> thg.com, June 2020

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In relation to its agreement with THG, Wellfully provided the following points:

- The Agreement is a Retail Supply Agreement where Wellfully is the vendor/supplier and THG is the seller, as is standard practice for the beauty Industry;
- The term of the Agreement is ongoing and non-exclusive to both parties; Wellfully supplies product to THG at its wholesale selling price, and THG retails this product to its consumers based on its retail selling price;
- There are no minimum or maximum quantities and no consideration is payable under the agreement, other than the price paid by THG to purchase product; and
- Other than standard industry trading terms and conditions, there are no other material conditions that need to be satisfied.

THG completed a £1.88 billion IPO and listed on the London Stock Exchange on 16 September 2020.

In addition to this agreement, Wellfully announced it had signed a content partnership for its RÉDUIT brand with one of the world's most reputable fashion and celebrity brands, Victoria Beckham. The collaboration will enable RÉDUIT to continue its brand awareness growth strategies and instill credibility by way of association with a globally renowned name.

The alliance saw RÉDUIT as the official hair tech partner for the Victoria Beckham Spring Summer 2021 Collection Presentation at London Fashion Week, held 18-22 September. The partnership allowed backstage content creation whereby RÉDUIT One Gold devices and the LED Hairpod™ collection was used by celebrity hair stylist, Paul Hanlon, to prepare models before the runway. This content was used to drive social media engagement globally, including a post from Victoria Beckham tagging @reduit\_official, as well as enhancing the brand positioning and credibility through a robust public relations campaign to earn media in tier one publications.

The term of the agreement is to 18 October 2020. Additionally, any assets created in accordance with the Sponsorship Rights may be used up to and including 17 September 2021 provided they make clear reference to the SS21 collection. Terms and Conditions are standard for sponsorship agreements of this kind, a one-off payment from the Company to Victoria Beckham is deemed not material and there are no other material terms to be satisfied before the agreement proceeds.

Victoria Beckham's social media reach is 28.6 million<sup>4</sup> and the Victoria Beckham London Fashion Week Shows are the most digitally enabled of all designers at Fashion Week, further propelling the visibility of RÉDUIT by association globally.

In October, Wellfully announced it had completed its scheduled release of 20 launches in 20 weeks for its RÉDUIT brand.

Since June 2020, the brand has launched six new applicator devices and a total of 24 premium cosmetic products across the haircare and skincare categories, with 12 Hairpods™ and 12 Skinpods™.

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<sup>4</sup> Victoria Beckham Instagram

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The ambitious project was a test of the company's ability to incubate technology, execute on development and launch. It also catalyzed the securement of global e-commerce B2B partners such as The Hut Group and Current Body, and was timed to coincide with the launch of a redesigned reduit.com website, aimed to educate and convert B2C customers.

## *Bodyguard*

Bodyguard continues its preparedness for a commercial launch of the Lubricen™ knee patch in selected geographies. Registration with the relevant authorities for a medical device is in its final stages and the Wellfully marketing team is developing all the necessary assets for a successful launch of the eCommerce business. The period has also seen a focus on product optimisation in order to sustain superior market claims, meet regulatory requirements and achieve a favourable cost of goods targets. The initial eCommerce launch is intended to validate manufacturing supply chain and fulfilment logistics before expanding to other geographies and sales channels.

## *P&G Partnership*

The Company's partnering relationship continued through the period with the completion of two new work plan developments.

The first of these involved the design and development of a new skincare device based on the Company's Programmable Array technologies ("Second Technology").

The second work plan involved the research and development of a new magnetic micro-array for the enhanced delivery of skin care actives during shaving.

Both programs will undergo consumer acceptance testing in coming months.

## *Surface Hygiene*

As announced in the previous Quarterly Report, the Company's Surface Hygiene work has recently joined the RÉDUIT Haircare and Skincare programs under the Magneto-Misting technology platform.

While a large number of mist making and spray devices are employed in domestic and industry disinfection, their inability to monitor hygiene critical functions during use has resulted in generally poor compliance with FDA and EU food and surface disinfection standards.

The opportunity being explored by the Company's R&D and Innovations Group is to create an intelligent architecture that can monitor all aspects of disinfection automatically, and by doing so, become the first range of portable household and industrial disinfection products to claim compliance with these strict international hygiene standards.

This work is progressing across three fronts.

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The first is the determination of the operational elements that together create the high level of hygiene protection required by international standards for bacterial disinfection, virus eradication and food hygiene.

The second is to develop inline production and automatic dispersion of potent hygiene agents while avoiding the use or need for the storage of toxic chemicals within the home, office or hospitality venue.

The third is the design and development of fully automated sensing systems to manage and control all aspects of device functionality in a clear, simple and easy to use manner.

### *Research & Development*

#### **Disinfection / Hygiene**

The Research and Innovation team is currently focused on the development of robust sensor systems for the Company's Hygiene devices. The team is researching Evanescent Wave attenuation as well as the more conventional Oxidation Reduction Potential (ORP) which measures the rate of oxidative disinfection. These are both challenging programs due to the hostile nature of the working environment.

The increasing global interest in buccal and inhalation drug delivery for the treatment of COVID-19 and other chronic respiratory conditions has led the team to explore potential opportunities in the nebulizer field for the Company's misting technologies. Through the team's previous experience in areas such as personalisation and smart phone connectivity, it has been able to quickly adopt solutions for secure prescriptions, compliance monitoring, in-field programmability, peer to peer authentication and auto-activation, all of which pose considerable technical barriers for existing propellant or dry powder nebulizers. This work will continue for some time.

### *Intellectual Property*

During the quarter the Company received the Letters of Patent Deed certificate for the Method and Device for Transdermal Delivery of Substances from the European Patent Office. This patent relates to the Company's Programmable Array technology and claims the programmable architecture that combines personal skin data with location specific data that effects a person's skin. The European Patent is valid until 2032. This now completes the patent program for this technology, having achieved patent protection in Australia, Europe, USA and Japan.

IP development work is currently focused on Patent of Selection opportunities within the Magnetic Misting Platforms.

## **CORPORATE**

### *Entitlement Offer completed*

In August, the Company announced the successful completion of a non-renounceable pro-rata entitlement offer to raise up to \$3,016,000 before costs (Entitlement Offer).

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Shareholders were offered one (1) new share for every three (3) shares held at the record date, at an issue price of \$0.10 per share. The Company received acceptances for 11,220,018 new shares, raising approximately \$1,122,002. This represented 37% of all new shares offered, leaving a shortfall of 18,939,982 new shares.

CPS Capital Group Pty Ltd was Lead Manager of the Entitlement Offer and the Company's \$1.5 million Share Placement.

Proceeds from Entitlement Offer and Placement will be primarily used for technology licensing business development, BodyGuard go-to-market activities, device division development and redemption of the Convertible Notes, as well as providing for general working capital.

### *Placement Oversubscriptions*

In August, the Company announced it had accepted oversubscriptions to its \$1.5 million placement completed in July 2020 for a further 635,351 fully paid ordinary shares at A\$0.10 per share to raise approximately \$63,535 before costs.

### *Payments to Related Parties of the Entity*

The Company notes that the cash payments made to related parties and their associates outlined in Section 6.1 of the Appendix 4C represents payment for an executive director's fee.

### *Change of Company Name*

In September, the Company announced it had changed its name from OBJ Limited to Wellfully Limited as part of a rebranding aligning with the focus and activities of the business moving forward. The Company's ASX code changed to ASX: WFL as of 15 September 2020.

## **ABOUT WELLFULLY**

Wellfully is a fully integrated, science-based wellness company. In addition to its own-brand, RÉDUIT, the Company also offers a portfolio of proprietary technologies and supports partners by providing IP-protected market exclusivity, expertise in magnetic array design, feasibility and efficacy, and claims testing, engineering and production.

Wellfully's established operations via its wholly-owned business units are:

- The Innovation & R&D unit provides technology to the other business units of the Company, as well as licensing and development services to international partners.
- The Design & Technology and Supply-chain hub in Dongguan, China has the ability to rapidly develop and industrialize the Company's technologies and innovations in an agile, efficient, secure and cost-effective manner.
- The Digital Communications and Marketing & Sales units are focused on supporting Wellfully's own consumer brands.

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- BodyGuard is the Company's therapeutic unit and develops advanced "direct to site of injury" patch products for the wellness and pain management sectors. This technology also has applications across supplement, healthcare, and musculoskeletal sectors.

## ABOUT WELLFULLY'S TECHNOLOGIES

Wellfully has developed a number of physical enhancement technologies based on the interactions between ingredient molecules and weak atomic forces, positioning the Company as a world leader in the science of magnetic fields as they relate to drug or active-ingredient delivery.

The first of Wellfully's magnetic technologies was the Magnetic Microarray. Complex 3-D magnetic fields, produced by low-cost microarray film, influence the movement and penetration through the skin of drugs, active ingredients and formulations at the molecular level. This was licensed and commercialized in 2014.

The second magnetic technology, the Programmable Array technology, employs powered electromagnetic fields that can be altered to suit individual consumer's skincare needs. This was licensed for skincare applications in 2020.

The third magnetic technology uses magnetic fields to alter the wettability of a surface, substantially enhancing contact between liquid and solids. Magneto-Wetting underpins the Company's current developments in haircare, skincare and surface hygiene, in conjunction with Wellfully's recently developed Ultrasonic Mist technology. International patents have been filed.

## FORWARD-LOOKING STATEMENTS

This announcement contains certain "forward-looking statements" concerning Wellfully. Where Wellfully expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis.

Forward-looking statements provided in this announcement are based on assumptions and contingencies which are subject to change without notice. Such forward-looking statements including statements regarding intentions, planned events and potential results are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements, and there are risks associated with Wellfully and the industry which may affect the accuracy of the forward-looking statements. Wellfully does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this announcement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

This release has been issued with the authorisation of the Board.

- Ends -

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