

DECEMBER 2021 QUARTERLY REPORT

Wellfully Limited (ASX: WFL) (Wellfully or the Company) is pleased to provide an overview of its activities for the quarter ended 31 December 2021.

- **Q2 2022 cash receipts were \$200k, comparing favorably with Q2 2021 cash receipts of \$144k (+38%).**
- **H1 FY2022 cash receipts were \$895k, comparing favorably with H1 FY2021 cash receipts of \$264k (+239%).**
- **The Q2 2021 cash outflows amounted to \$ 3,130k which was in line with growth strategy and included the following notable amounts:**
 - **Manufacturing the inventory to support the RÉDUIT Boost launch in March 2022 and the Swisswell launch planned for April 2022 \$850k;**
 - **Marketing costs of \$537k, mainly associated with the DTC channel. It should be noted that the performance of marketing and advertising in DTC digital space has shifted in the last 18 months and in the premium space we see high upfront investments in customer acquisition, which is then harvested over the customer lifetime.**
 - **Staff costs associated with the ongoing organizational development needed to support commercial scale-up, including one-off administrative outflows totaling \$245k.**
- **The net operating cash outflow of \$2,930k for Q2 2022 was greater than Q1 2022 net outflow of \$1,443k, largely attributed to phased delays associated with the Swisswell launch. The company expects an improvement in cash receipts from Swisswell, RÉDUIT and industry collaborations in Q3, as well as a significant tax R&D rebate against costs already incurred yet to be received.**

OPERATIONS

The company is at a critical inflection point as it moves from being a one vertical (Reduit) company, active solely in the beauty space, to a two-vertical (now with Swisswell) company also present in the healthcare space with its pain relief offering. This is an important milestone, as laid out in the vision of the company, which is “to become the world’s first fully integrated, sustainable, science-based company spanning beauty, health and wellness industries.”

After 2.5 years of building the science and developing the capability, we now have Reduit bedded down and growing its presence in the beauty space. Importantly, Reduit uses our own patented technology (developed in Perth), is built in our own facilities (Switzerland and China), and is marketed and sold by our own team HQ'd in Zagreb,

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Croatia. Revenue is building steadily, is in line with our expectations, and industry recognition has been high.

As expected with any activity in the highly-regulated pain-relief space, Swisswell has taken many years to reach commercialisation. Where we are today is the result of a large capital investment – human and financial – committed because of an absolute belief in a drug-alternative solution to the pain associated with joint osteoarthritis. As the reality of receiving regulatory approval finally seemed likely, thereby enabling the B2B launch of Swisswell as early as April 2022, the company quickly deployed significant cash resources in Q2 2022 to support inventory build and other assets required for launch.

It is important to note that all of these Q2 2022 cash receipts were generated exclusively from the Company's own brands, RÉDUIT and Swisswell (D2C only), and industry collaborations that are based on the Company's product and process infrastructures developed over the past two years.

RÉDUIT

The development of Wellfully's premium beauty brand continued through the quarter across three main fronts: DTC marketing, B2B collaborations with new retailers, as well as go-to-market preparations for RÉDUIT's new product introductions for 2022.

In Q2 the traffic through the brand's own site, Redit.com increased more than 5x as compared to Q1, lifting from 20,000 to over 100,000 visits. This was accompanied by a 6.3x increase in DTC sales, from \$28k to \$178k. This trend is likely to continue with the activities planned for Q3 FY2022.

At the same time, we have doubled the number of retail partners since September 2021, with important new partners including Sephora and Harrods. Both of these should result in additional placements in 2022. Industry recognition was also positively impacted by the brand's participation at Beauty World Dubai in October.

It should be noted that we continue to operate with multiple Covid challenges, including cancellation of key industry appointments through 2020 and most of 2021. The same is likely true for 2022 with the largest beauty industry fair, Cosmoprof Bologna, already moved from early March to end of April 2022 due to the Omicron variant outbreak in Europe.

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RÉDUIT Boost™ - the universal skincare applicator

In addition to the ongoing commercial activities, the current quarter has been marked by scale-up and development of campaign-related asset preparations for new product introductions in 2022. These will be spearheaded by RÉDUIT Boost™, a universal skincare applicator unique in its ability to personalize enhanced delivery of actives, with simultaneous LED treatment.



RÉDUIT Boost™ - POS in WOW Madrid

Concurrently, first inroads were made in the commercialization of the new RÉDUIT Boost™ product. These encompass innovative point-of-sale (POS) concepts that will be part of the launch with selected retail partners. In addition to traditional display and

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product information, the new POS also have a unique experiential dimension allowing consumers to pre-configure their products at the time of purchase.

SWISSWELL

Following the successful DTC-only launch of SWISSWELL Lubricen Knee Patch in August, the Company has continued commercial scaling activities through the second quarter of FY2022.

The DTC platform, swisswell.com, has been evolved to encompass subscriptions, referrals and a loyalty program. This was accompanied by organizational development activities focused on campaign management and wide-scale sampling opportunities.

Initial feedback from customers has been most positive, giving greater confidence to Management to make its first inroads into B2B distribution collaborations across a number of selected markets. These early discussions were successful, to the point that a presence in pharmacies and para-pharmacies is expected in 2022 subject to the regulatory approval just received at the end of January 2022.

GLOBAL COLLABORATIONS

The success of the launch with the Bork retail operation in Russia was confirmed by a replenishment order received in December 2021. New product introductions for 2022 are currently being evaluated by both parties as well as exploring options to extend the collaboration beyond the initially contracted 1-year period.

Through this reporting period, other industry collaborations have continued to evolve. One of the projects, with a prominent partner in personal care, has seen a successful completion of market tests and the subsequent go-live to market. New projects have also been initiated on a number of different enhanced drug delivery applications.

KEY APPOINTMENTS

Effective 31 October 2021, the Company has appointed Mr. Henko Vos as Company Secretary. Mr. Vos is a member of the Australian Institute of Company Directors, the Governance Institute of Australia and Chartered Accountants Australia & New Zealand. He holds similar secretarial roles in various other listed public companies in both industrial and resource sectors.

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OVERSUBSCRIBED PLACEMENT FOR \$5 MILLION

During October 2021 Wellfully completed a successful placement to new and existing institutional, family office, sophisticated and professional investors. The Placement raised \$5 million (before costs) through the issue of 38.4 million shares at \$0.13 per share, a discount of ~18% to the 20-day VWAP. Placement participants received one (1) free attaching option (\$0.20 strike price and 2-year expiry) for every three (3) shares subscribed for. The proceeds from the Placement will facilitate the advancement of the following activities:

- RÉDUIT marketing and sales initiatives
 - Consumer engagement via enhanced marketing (influencer, key opinion leader (KOL) and media engagement)
 - Execution of new B2B collaborations in new and existing jurisdictions
- Development and launch of new devices
- Completion and launch of RÉDUIT Active Sunscreen and Boost Applicators
- Global roll-out of SWISSWELL Lubricen pain patches
- Initiation of marketing activities and engagement with potential collaborators
- Global licensing, ODM and OEM collaborations
- The continued progression of the Company's collaborations with global partners.

AGM PRESENTATION TO INVESTORS

Wellfully CEO Paul Peros held a presentation to investors on 1 December 2021. The document can be viewed at the following link:

https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02460783-6A1066369?access_token=83ff96335c2d45a094df02a206a39ff4

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 of \$204k represent payments made to one executive director and for three non-executive directors.

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ABOUT WELLFULLY

Wellfully is a fully integrated, science-based wellness company. In addition to our own-brands, RÉDUIT and SWISSWELL, we also offer a portfolio of proprietary technologies and support partners by providing IP and expertise in magnetic array design, feasibility and efficacy, and claims testing, engineering and production.

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 commercialised 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 Misting 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

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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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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Wellfully Limited

ABN

056 482 636

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	200	895
1.2 Payments for		
(a) research and development	(105)	(192)
(b) product manufacturing and operating costs	(850)	(1,499)
(c) advertising and marketing	(537)	(748)
(d) leased assets	-	-
(e) staff costs	(1,150)	(1,936)
(f) administration and corporate costs	(488)	(892)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,930)	(4,372)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,000	5,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(261)	(261)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,739	4,739

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,298	2,720
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,930)	(4,372)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,739	4,739
4.5	Effect of movement in exchange rates on cash held	(51)	(31)
4.6	Cash and cash equivalents at end of period	3,056	3,056

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,056	1,298
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,056	1,298

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	204
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,930)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,056
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,056
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.04
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: The Company expects an improvement in cash inflow in Q3 and Q4 of 2022.	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: The Company will undertake further capital raisings, if and when required, to ensure it has sufficient cash to fund its ongoing operations and growth plans. The Company has a history of successfully raising funds. The Company continues to drive sales revenue and contain costs in line with revenue expectations.	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes. The Company is working on the advancement of the following key activities:

- ❖ RÉDUIT marketing and sales initiatives
 - Consumer engagement via enhanced marketing (influencer, key opinion leader (KOL) and media engagement)
 - Execution of new B2B collaborations in new and existing jurisdictions
- ❖ Development and launch of new devices
 - Completion and launch of RÉDUIT Active Sunscreen and Boost Applicators
- ❖ Roll-out of SWISSWELL Lubricen pain patches
 - With regulatory approval just received, the B2B launch can now proceed.
- ❖ Global licensing, ODM and OEM collaborations
 - Continued collaborations with global partners.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.